

FINANCIAL TIMES

ASIA Airport bottlenecks limit traffic growth Page 8

Table with exchange rates for various currencies including Australia, Belgium, Cyprus, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, India, Israel, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, New Zealand, Norway, Portugal, Singapore, Spain, Switzerland, Taiwan, Thailand, Turkey, UK, USA, West Germany, Yugoslavia, and Zimbabwe.

World News Business Summary

Mandela could be free within weeks, says minister

Nelson Mandela, the imprisoned leader of the African National Congress, could be released within weeks, a senior South African minister said.

Rabin backs Cairo Yitzhak Rabin, the Israeli Defence Minister, gave his clear backing to Egyptian efforts to convene Israeli-Palestinian peace talks after conferring in Cairo with President Mubarak.

India to withdraw India agreed to withdraw its remaining 40,000 troops from Sri Lanka by December 31, ending an unsuccessful two-year attempt to halt the ethnic strife which has torn the island apart.

Brussels warning The European Commission threatened to propose a more stringent type of centralised EC legislation, unless member states improved their record of writing 1992 directives into national law.

US embassy hit A rocket was fired at the heavily guarded American embassy in the Colombian capital Bogota in the first attack on a US target since the war on drugs began a month ago with Washington's support.

Minister warns Bonn Gerhard Stoltenberg, the West German Defence Minister, warned against "lack of risk consciousness" in the West's dealings with the Soviet Union, in a speech warning Bonn of complacency in its relations with Moscow.

Death commuted Death sentences on 12 Sri Lankans and four Maldivians who took part in a failed coup attempt in the Maldives last year have been commuted to life imprisonment.

Turkish strike ends Some 24,000 workers returned to two of Turkey's largest steel mills, ending a 157-day strike.

Vienna snubs Israel Austria is downgrading diplomatic relations with Israel because the Jewish state refuses to send an ambassador to Vienna while Kurt Waldheim is president.

Syrian arms supplies The Soviet Union is considering cutting military aid to Syria, but says it has no intention of weakening the close relationship, the Soviet ambassador in Damascus said.

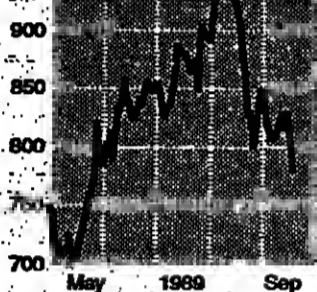
Yeltsin criticised Pravda, the Soviet Communist Party daily, published a denunciation of Boris Yeltsin's conduct during his recent US tour, saying "for Yeltsin America is a festival, a scene, a bar 5,000km long."

Hurricane kills nine Hurricane Hugo ripped through Puerto Rico with winds of more than 100 mph, after slicing a path of destruction across a chain of Caribbean islands, killing nine and making thousands homeless.

First Bank System faces troubles with loan portfolio

First Bank System, a leading US regional banking group trying to recover from a \$500m loss on Treasury bonds last year, said it was facing problems with some loans financing highly leveraged company buyouts.

Cocoa: the market pegged prices sharply down following news that talks to revive an international Cocoa Organisation.



AMSTERDAM-Rotterdam Bank of the Netherlands and Belgium's Generale de Banque agreed to back their ambitions to create a fully integrated, international banking group to meet the challenge of Europe's single market.

DAIWA Bank, Japanese bank, said it will be acquiring the US commercial banking operations of Lloyds Bank for \$200m.

ALAN Bond, Australian businessman, will announce the sale of his Australian operating oil interests for \$220m (\$170m) to Aviva Petroleum, a small UK-based oil and gas investment company.

MACMILLAN, US publishing group controlled by Robert Maxwell, agreed to buy educational book group Merril Publishing for \$300m.

SONY, Japanese electronic group, is to begin making magnetic tape in France in 1991 with an investment of FF500m (\$74.12m), in a move to boost its products' European content.

SOUTH Korea is to spend Won 3,500m (\$5.11m) on a new high-speed rail system between Seoul and the main port of Pusan.

GATT, the secretariat of the General Agreement on Tariffs and Trade, warned that more liberalisation of banking and other financial services might mean stronger regulatory systems.

SEIJI, Japanese group, agreed the conditional purchase of 40 per cent of Hong Kong's Wing On department store for HK\$950m (\$45m).

PACIFIC Dunlop, Australian conglomerate, reported a 49 per cent increase in after-tax profits to A\$266.8m (\$268m) for the year to June.

GLAXO, UK pharmaceuticals group, expected to announce pre-tax profits of about £1bn (£1.54m) today will reveal more about possible merger plans.

OPTICAL electronics: the next generation of submarines may be fitted without their periscope but opto-electronic sensors.

Write-downs on non-existent contracts and stock could top £150m

Ferranti chief points to fraud in wake of merger

By Terry Dodswoth and Hugo Dixon in London

SIR Derek Alan-Jones, chairman of Ferranti International Signal, told the company's 26,000 workers yesterday, said it was facing problems with some loans financing highly leveraged company buyouts.



Sir Derek Alan-Jones: fraud warning

stantial business than it actually was. The Coopers and Lybrand team are understood to have made good progress in tracking down the identity of front companies through which the funds were channelled.

team to pass on the results of the investigation to them. The office is not at present conducting its own investigation. Meanwhile, discussions continued about a possible rescue package, but it is not thought likely that any details will be agreed until the first report from Coopers and Lybrand appears in two weeks.

Fleming, ISC's merchant bank, said: "We can only say that we did not initiate the merger discussions between Ferranti and ISC. But we would not have put our name to a merger if we had not thought ISC was a sound company."

ISC's well-connected businessman

By Lionel Barber in Washington

WHEN Ferranti sought, two years ago, to boost significantly its share of US defence contracts, it seemed that Mr Jim Guerin provided a shortcut to success.

director of the Central Intelligence Agency between 1981 and 1982. According to published reports in the US, Mr Inman, who now heads a computer business in Austin, Texas, agreed to serve on the "proxy board" of ISC.

company. What is clear is that this unusual corporate arrangement fostered a climate of secrecy inside and outside the company. By several accounts, this was precisely what Mr Guerin wanted.



Guerin: ISC founder

Daiwa to pay \$200m for US banking division of Lloyds

By David Lascelles in London and Stefan Wagstyl in Tokyo

DAIWA Bank of Japan is to buy the US commercial banking business of British Lloyds Bank in a deal which marks a further retreat by UK banks from the US and extends the advance of Japanese banks there.

planning division, said it was vital for the bank to enter the US market, the largest in the world. "We have to invest more staff and more money in the US."

recent decision to make large provisions against Third World debts, will rise by 0.5 per cent. The package will only become effective if there is 100 per cent approval.

Table with market news including Sterling, Dollar, Stock indices, and various commodity prices.

Table with contents listing various articles and their page numbers, such as 'Handshake of peace that failed to end the war in Angola' on page 4.

Last ditch rescue from bankruptcy for German retailer

By Helg Simonian in Frankfurt

CO OP, the troubled West German retailer, has inched back from the brink of bankruptcy following a last-minute agreement among its creditor banks in the early hours of Monday morning to accept a debt-forgiveness package.

BNL Rome officials may have known of Iraq credits

By Alan Friedman in Rome and David Goodhart in Bonn

THERE are mounting indications that one or more Rome-based executives knew about or were involved in arranging \$1.85bn of unauthorised Iraqi export credits that were disbursed by Atlanta, Georgia-based Banca Nazionale del Lavoro (BNL).

However, not all Co op's 124 unsecured creditor banks have as yet agreed the plan to write off 75 per cent of their unsecured loans in return for a cash payment of the remainder at the end of this month.

Both US and Italian investigators are close to identifying at least one middle-level BNL executive in Rome whom they believe was aware of the improper issue of letters of credit to US and European exporters.

Advertisement for Gwent's communications equipment. Text includes: 'Gwent has all the right ingredients for running a successful business. A strategic location on the M4 corridor with excellent communications throughout the UK and Europe. A highly skilled workforce, low overheads and financial assistance.'

EUROPEAN NEWS

BONN DEFENCE MINISTER FEARS COMPLACENCY IN DEALINGS WITH MOSCOW

Stoltenberg warns of 'gullibility'

By David Marsh in Bonn

MR Gerhard Stoltenberg, the West German Defence Minister, warned yesterday against "gullibility" and "lack of risk consciousness" in the West's dealings with the Soviet Union, in a speech clearly aimed at warding off complacency in Bonn over relations with Moscow.

In a speech in Bielefeld, Mr Stoltenberg coupled a call for western economic help for reform-minded governments in eastern Europe with a plea for readiness to face up to possible "negative consequences" for European security in coming years.

Mr Stoltenberg, the former Bonn Finance Minister, has tried to bring an extra infusion

of political realism and economic rigour into the defence ministry since taking over in April.

Claiming yesterday that the Federal Republic's closing of ranks with the West over the past 40 years had helped make perestroika (restructuring) and glasnost (openness) possible, Mr Stoltenberg issued a strong call against confusing "hopes with realities" in policies towards the East.

Referring to wrangling in West Germany over the military consensus within Nato, Mr Stoltenberg said: "A secure defence capacity determines the framework of our arms control policy and remains the basis of our

political response to the East."

Mr Stoltenberg said that changes in eastern Europe, in particular the "crises" in the Soviet Union and Poland, were not a result of convergence between the capitalist and communist systems. Instead, they stemmed from "the failure of communist ideology and dominance."

Pointing out that the introduction of perestroika had not prevented the distribution of goods in the Soviet Union from getting even worse recently, Mr Stoltenberg said the move towards reform in eastern Europe was the consequence above all of "dramatic economic crisis."

This was also the main

factor behind the efforts of Mr Mikhail Gorbachev, the Soviet leader, to cut back defence spending through arms control accords.

None the less, Mr Stoltenberg cautioned against the view that Europe was entering a "post-communist era". The Soviet leadership was still emphasising "ideological continuity" with the past.

Implicitly referring to the delicacy of recent events in East Germany, Mr Stoltenberg also stressed that "periods of setbacks, or external and internal toughening" could not be excluded as part of the general risks of eastern reform.

Wage rises fuel Poland's economic crisis

By Christopher Bobinski in Warsaw

A ROUND of wage increases falling due to teachers, doctors and other occupations financed directly from the budget threatens to bankrupt the Polish Government unless it immediately finds new sources of funds.

The financial crisis which has hit the new Solidarity-led administration is the legacy of almost three months of administration by the previous Government which was in no state to resist wage demands fuelled by a sharp 50 per cent rise in inflation during August.

Tax payments by companies

have been falling off, further depleting Treasury funds and the Government has already said it will be tightening tax screws on state sector and private company profits. It may even go as far as imposing retroactive taxes as it can no longer go to the central bank for further funds.

The search for funds this week came as the Polish authorities started talks with the International Monetary Fund, headed by Mr Massimo Rizzo who wants to examine Poland's plan for tightening economic

policy.

This week too Poland will be signing a formal economic agreement with the EEC which pledges Brussels to remove the majority of quota restrictions on Poland's exports over the next five years.

Another element of the Polish government's bid to stem the country's slide into hyperinflation is planned to change the formulas governing the automatic linking of wage rises to price increases forced through by Solidarity, when it was in opposition, in July.

Then the movement demanded automatic increases linked to the rise in prices regardless of whether workers had won wage increases independently of the indexation mechanism. Now the government intends to automatically increase wages only in those cases where incomes have failed to match price rises.

In August even though overall income rose by 26 per cent wages earned by industrial workers almost doubled. Communists warned of new role, Page 3

Swiss trade deficit at record

By John Wicks in Zurich

THE Swiss foreign-trade deficit reached a monthly record in August, reaching a level of SF1.44bn (\$544m). This was more than double the deficit for July. The previous peak, of SF1.21bn, was registered in August last year.

Although nominal exports were up 10.9 per cent for the year to SF75.63bn, imports rose faster - at a rate of 13.4 per cent - to SF77.07bn. Growth in both instances was due largely to higher prices.

It now seems possible that the trade gap for the year as a whole will exceed the previous high of SF11.25bn experienced in 1980. For the first eight months of this year, the visible deficit was already up by as much as 39 per cent over the corresponding period of 1988 to some SF7.3bn.

This development reflects the weakening of the Swiss franc in trade-weighted terms. In recent years, import prices had been kept low by the strength of the national currency. The same exchange-rate situation is partly responsible for Switzerland's rising inflation rate, now at an annual 3 per cent.

Despite the widening trade gap, Switzerland will continue to show a substantial surplus on current account.

EC warning on 1992 directives

By David Buchan in Brussels

THE European Commission yesterday threatened to propose a more stringent type of centralised EC legislation, unless member states improved their sorry record in writing 1992 directives into national law.

Mr Martin Bangemann, the EC internal market commissioner, said he was "sounding the alarm" because of 68 single market directives which should have been in effect this year, only seven had been written into national law.

He warned that the Commission might have to consider replacing directives, which set a framework for national gov-

ernments to transpose into their own laws, with regulations.

The latter, once agreed by the twelve member states in Brussels, take automatic effect as overriding EC law the minute they are published in the Community's official journal.

The threat of Mr Bangemann, who said the Commission had always preferred the more decentralised approach, may be empty. In the Single European Act, setting the 1992 proposals in train, the Commission promised to use directives rather than regulations. But the very wording of the threat is a measure of Commission

impatience.

A Commission report, presented to ministers yesterday, criticises Italy and Greece especially for failing to implement legislation and for ignoring Court of Justice attempts to spur them into action.

Britain, along with France, Denmark and the Netherlands, have the best record on implementation, according to the report.

Mr John Redwood, junior minister at the UK Department of Trade and Industry, yesterday applauded the Commission intention to publish a score card on national implementation every six months.

W German carbon dioxide output rises

By David Goodhart in Bonn

WEST GERMANY last year released into the atmosphere 78m tonnes of carbon dioxide, one of the main contributors to the "greenhouse effect", compared with 74m tonnes in 1986.

Mr Klaus Töpfer, Environment Minister, revealed these figures while presenting the Federal Environment Office's annual report. He said 28.7 per cent came from industry, 24.2 per cent from households and 21.8 per cent from transport.

Although no practical way of filtering carbon dioxide emissions has been found, Mr Töp-

fer said the total could be reduced by 10m tonnes with better home insulation.

The introduction of a 100 kph speed limit on motorways would reduce emissions by only 8.1m tonnes a year, but the minister remained open-minded on this increasingly controversial aspect of environmental politics.

He also tentatively proposed a carbon dioxide duty to encourage energy saving. However such a proposal is unlikely to become government policy in the near future,

the recent party conference of the governing Christian Democratic Union rejected a motion proposing tougher environmental duties.

Sulphur emissions which can be filtered have been reduced from 2,900 kilotonnes in 1982 to 2,200 at the end of 1986 (power stations cut emissions from 1,800 to 1,350 over the same period).

The report says the destruction of forests has only been slowed down by tighter emission controls and that 52 per cent of West German forest is now damaged.

VW regains lead in European sales

By Kevin Dona, Motor Industry Correspondent

THE Volkswagen group of West Germany has ousted Fiat of Italy from the leadership of the West European new car market after the first eight months of the year, according to preliminary industry estimates.

VW, which includes Audi and Seat, is set to maintain its supremacy in Europe for the fifth year in succession, after narrowly defeating a determined Fiat challenge last year.

Fiat led the European new car sales league in the first half of the year, but its position has been undermined by a weakening of the overall market in Italy in August and by a surge in Volkswagen and Seat sales in the big European volume markets.

Overall West European new car sales in August were 2.9 per cent higher than a year ago at 1.196m.

The strength of demand has continued to defy industry forecasts of an imminent downturn, although the rate of growth in new car sales is slowing.

Sales for the first eight months at 9.47m were 5 per cent higher than a year ago, according to industry estimates, and are set to reach a record level for the fifth successive year.

European new car sales in August are heavily dominated by the UK, which accounted for around 42 per cent of the total market, as sales are concentrated into a single month by the change of the registra-

tion number prefix.

UK new car sales in August were 4.8 per cent higher than a year earlier and exceeded the half million barrier in a single month for the first time, at 500,112.

In August alone sales were lower than a year earlier in six of 17 markets across West Europe: Italy, Spain and Portugal and the Scandinavian markets of Denmark, Sweden and Norway.

For the first eight months, however, sales were higher in

all of the five big volume markets - West Germany, Italy, the UK, France and Spain. New car sales were lower in only four markets, Sweden, Denmark, Norway and Portugal.

The sharpest rise in demand has come from the tiny Irish market, where Japanese makes control around 40 per cent of sales, with an increase of 26.9 per cent in the first eight months, while sales have fallen most sharply in Norway - 28 per cent.

Despite growing fears in the

European car industry about the impact of Japanese car makers in the single European market from the end of 1988, the volume of Japanese car sales was virtually unchanged in the first eight months at 1.02m.

The Japanese share of the total West European market has fallen to 10.8 per cent from 11.3 per cent a year ago, with a fall in sales volume by Toyota, Honda and Mazda.

The Fiat group, which includes Lancia, Alfa Romeo and Ferrari and which had led the European market for the first seven months of the year, has achieved the lowest sales growth of any of the big six volume car makers, an estimated increase of only 4.2 per cent.

WEST EUROPEAN NEW CAR REGISTRATIONS

January-August 1989				
	Volume (Units)	Volume Change (%)	Share (%) Jan-Aug 89	Share (%) Jan-Aug 88
TOTAL MARKET	9,470,000	+5.0	100.0	100.0
MANUFACTURERS:				
Volkswagen (incl. Audi and Seat)	1,398,000	+7.1	14.8	14.5
Fiat (incl. Lancia & Alfa Romeo)	1,388,000	+4.2	14.7	14.8
Peugeot (including Citroen)	1,215,000	+5.9	12.8	12.7
Ford	1,120,000	+7.1	11.8	11.6
General Motors (Opel, Vauxhall)	1,081,000	+8.0	10.9	10.6
Renault	980,000	+8.9	10.1	10.0
Rover	307,000	-6.0	3.2	3.6
Mercedes-Benz	297,000	-4.0	3.1	3.4
Nissan	296,000	+5.2	3.0	3.0
BMW	278,000	+14.4	2.9	2.7
Toyota	238,000	-2.3	2.5	2.7
Volvo	184,000	-1.1	1.9	2.1
Total Japanese	1,021,000	+0.0	10.8	11.3
MARKETS:				
West Germany	1,944,000	+2.3	20.5	21.1
United Kingdom	1,748,000	+8.8	18.5	18.1
Italy	1,436,000	+7.5	17.3	16.9
France	1,520,000	+7.2	16.0	15.7
Spain	778,000	+6.9	8.2	8.1

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LONDON TO SYDNEY NON-STOP.

WE MAKE HISTORY AS WELL AS ENGINES.

Qantas and Rolls-Royce set a record on 17th August 1989 when the airline's new Boeing 747-400 touched down in Sydney after 20 hours 9 minutes in the air.

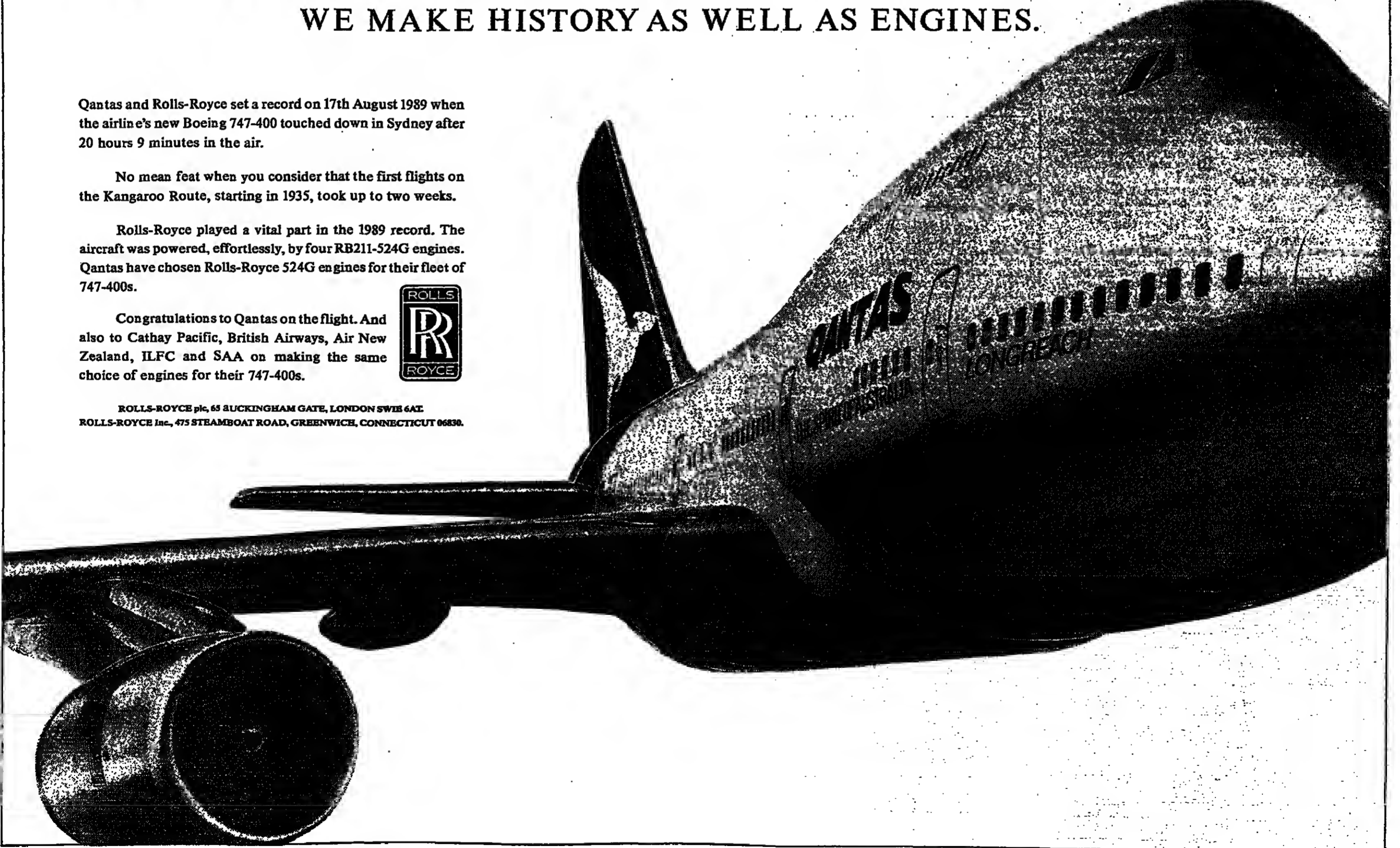
No mean feat when you consider that the first flights on the Kangaroo Route, starting in 1935, took up to two weeks.

Rolls-Royce played a vital part in the 1989 record. The aircraft was powered, effortlessly, by four RB211-524G engines. Qantas have chosen Rolls-Royce 524G engines for their fleet of 747-400s.

Congratulations to Qantas on the flight. And also to Cathay Pacific, British Airways, Air New Zealand, ILFC and SAA on making the same choice of engines for their 747-400s.



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EUROPEAN NEWS

Soviet Union suspends purchase of grain abroad

THE Soviet Union has suspended grain purchases abroad while it starts paying its farmers in foreign currency for above-average production...

expected to be a powerful incentive to farmers, who will be able to use the foreign currency to buy everything from agricultural machinery to video recorders for collective farm sitting rooms...

Klimov said. "It is the first year we have done this and therefore we have no experience. Anyhow it is fairly long-term," he said.

E German churchmen join attack on leaders

EAST Germany's conservative leadership, embarrassed by the recent flight to the West of nearly 16,000 citizens, yesterday faced a rising tide of opposition by church officials and laymen.

Bomb in the post for French unions

William Dawkins on the explosive issue of reforming France Telecom

MR PAUL Quilès, France's Minister for Post and Telecommunications, is walking a tight-rope.

The balancing act he has to perform is between the need to introduce a measure of reform to the country's centralised telecommunications service...

communications reform that the right-wing Mr Longuet failed to achieve.

At European level, he is being driven by two EC directives designed to weaken the hold of state monopolies over the supply of telecommunications equipment and services.

Polish Communists warned of their new role in government

THE Central Committee of Poland's confused and bitter Communist Party, which lost its dominant role in government last month, heard yesterday that from now on it was only one of many political forces in the country and that its future depended on being able to win the support of the electorate.

Deal on Hungarian presidency expected

TALKS between the Hungarian Communist Party and the opposition should reach a crucial point this week, with the Hungarian Democratic Forum (HDF), the largest opposition group, expected to swing behind the ruling party over the key issue of how a new president is to be chosen.

Deal on Hungarian presidency expected

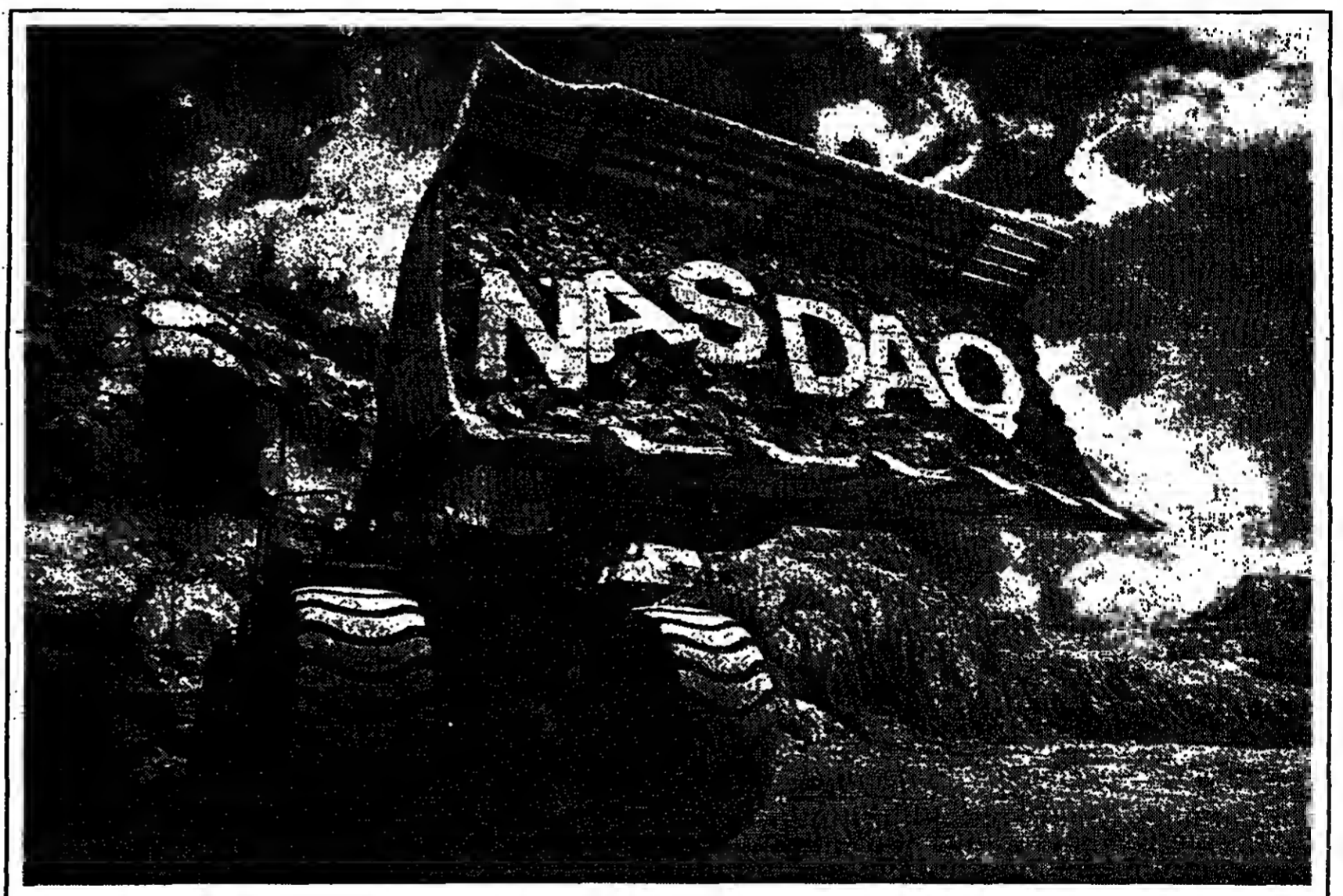
Mr László Pócsy, who represents the Communists at the talks and is expected to run as president himself, has insisted that the Communist Party be elected in a nationwide vote before next year's contested parliamentary elections.

The flight of East Germans to the West dominated discussion at the synod. Two churchmen levelled attacks at both East Berlin and Bonn for exacerbating the exodus.

They see it as a sneak privatisation plot. And they have the sympathy of Mr Lionel Jospin, the Government's Education Minister, who has said he wants the report buried.

SHANGRI-LA INTERNATIONAL IN SINGAPORE WHERE ELSE BUT THE SHANGRI-LA One of the world's best hotels. Shangri-La hotel

SEPTEMBER 1989... a time to give thanks for those who gave everything Since the outbreak of war in 1939, the Royal Air Forces Association has brought constant, unstinting comradeship and urgent practical aid to the survivors...



English China Clays dug very deeply into the question of an ADR listing. And came up with the perfect solution. As a progressive international group with interests in industrial minerals, aggregates, concrete products, bome building and supplies for the oil and gas drilling industries...

OVERSEAS NEWS

Rabin supports Mubarak efforts on peace talks

By Hugh Carnegie in Cairo

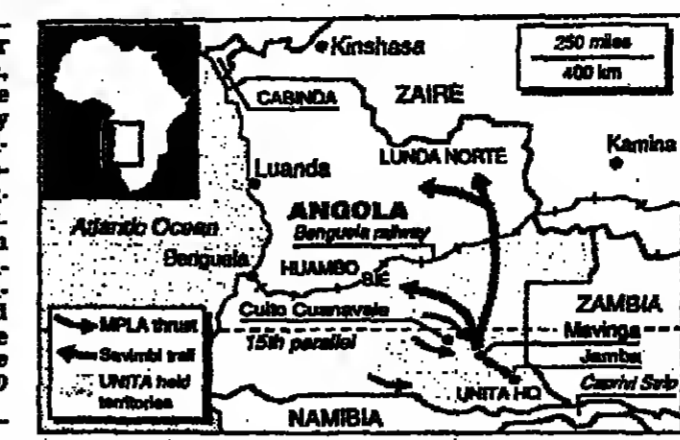
MR YITZIAK RABIN, Israel's Defence Minister, gave his clear backing to Egyptian efforts to convene Israeli-Palestinian peace talks after conferring with President Hosni Mubarak. Invited by President Mubarak as the Israeli minister best placed to move the peace process forward, Mr Rabin spent more than two hours with the Egyptian leader at his palace in the Cairo suburb...

Talks and tanks close in on the Savimbi Trail

Angola's war reaches a crucial point as summit seeks to patch up peace deal, writes Rowlinson Carter

THE HANDSHAKE last June between President José Eduardo dos Santos of Angola and Jonas Savimbi, leader of the country's rebel Unita movement, should have marked the end to a 14-year civil war. It proved a false dawn. The ceasefire agreement, signed at President Mobutu Sese Seko's home village of Gbadolite in northern Zaïre, never held. The protagonists are back on the battlefield, and the African leaders who met in Kinshasa yesterday will be hard pressed to get them back to the negotiating table.

Mr Jonas Savimbi, leader of the right-wing Unita, stayed away from a peace summit in Zaïre yesterday intended to revive the collapsed ceasefire in Angola's 15-year civil war. Reuter reports from Kinshasa. Eight central and southern African heads of state convened their summit without Mr Savimbi, on board President Mobutu Sese Seko's yacht on the Zaïre River at N'Sele, about 50 km from Kinshasa.



The main objective for Angola's MPLA government is to cut this trail. Hence recent reports that 3,000 government troops, supported by 25 tanks, have tried to move out of the Cuito Cuanavale area and take the town of Mavinga. Almost bisecting the country is the Benguela railway, closed to through-traffic since Angolan independence in 1975, but a powerful factor in the MPLA and Unita attempts to court the support of Zambia and Zaïre. For both these countries, the line represents the shortest and cheapest route to the sea for copper exports, their main foreign exchange earner.

strength are not self-sufficient in the same way that small guerrilla units can live off the land. The brigades rely on, for example, motorised transport and fuel. In the past, diesel fuel from South African sources has been transported by road through Namibia, and across the Caprivi Strip. But Unita has no petrol, so vehicles captured from the MPLA, which are invariably petrol-driven, are useless without a change of engines. Mr Savimbi claims to have stocks of diesel 'for quite some time', but these are finite and with the closure of the southern supply route cannot as yet be replenished.

Which party broke the fragile agreement is not clear. But at the heart of the breakdown is a disagreement over a key provision: did Mr Savimbi agree to go into exile, as Zambia's President Kenneth Kaunda and some other African leaders claim? Or did he merely accept that while he would not be part of a two-year transitional coalition government, he intended to lead Unita in the multi-party elections the rebels demand? The Kinshasa summit has to resolve this.

troops who have yet to leave for home are remaining north of Angola's 16th Parallel, and show no sign of entering the fray. At the same time, Namibia's UN-monitored transition to independence has meant that Pretoria's backing for Unita - including vital air support - from bases in northern Namibia is ending. The military balance is thus delicately poised. But what may be critical to the outcome of the resumption of the battle to control a strategic supply route known as the 'Savimbi Trail', the corridor which links the Unita stronghold of Jamba in the south-east, with the contested central and northern areas where the government is vulnerable to military pressure.

The next Unita target is logically Angola's oil industry, responsible for 80 per cent of export earnings. There are indications of increased guerrilla activity in the Cabinda enclave. The past 14 years have shown that as a guerrilla force Unita would be difficult, if not impossible, to eradicate, although not strong enough to win the country. Some of its 74,000 fighters now form a regular army, theoretically capable of taking and holding towns, possibly even laying siege to the Angolan capital, Luanda.

But this development poses its own problems, however. Forces operating at brigade level in trying to develop ideas in a broad range of sectors, not simply economic affairs. They have also battled to break down the stranglehold of the old FLN Marxist guard over many walks of Algerian life.

Mr Sid Ahmed Gheail, the Minister of Foreign Affairs, has for the past ten months held the Finance portfolio, during which time he successfully concluded negotiations to raise funds from the IMF and refinance some of the country's trade debt. He has also helped shape a more flexible gas export policy, something of vital importance as natural gas remains the country's most marketable commodity. Throughout the 1970s, and before he fell victim to internal political infighting, Mr Gheail was in charge of Algeria's oil and gas monopoly, Sonatrach. He is a widely known and respected figure in international business and diplomatic circles.

Two posts have disappeared from the Cabinet - Information and Culture. This is a highly symbolic act and it is true that over the past two weeks the Algerian media have broadcast and published information which would have been unthinkable only a month ago. On October 5, the anniversary of last year's riots, approaches, the President has regularised the political initiative. But, for the average Algerian, it is only when the supply and price of daily staples and cigarettes becomes more stable that he will really begin to believe things are changing.

UAE trade surplus falls by 28%

By Hunter Reynolds in Dubai

THE United Arab Emirates' trade surplus fell last year by 28 per cent, according to the country's central bank. The bank's annual economic report said the surplus fell from Dirhams 19bn (€3.4bn) in 1987 to Dirhams 13.7bn in 1988. A sharp increase in imports was largely responsible for the narrowing surplus, the central bank said. The value of imports surged by more than 20 per cent to Dirhams 31.2bn, helped by an upturn in economic activity following the end of the Gulf War in August. Local sources said the UAE was also hit by the loss of value of the US dollar; the dirham is pegged to the dollar while the bulk of its imports comes from the European Community and Japan.

Algerian Cabinet reflects Chadli's desire to reform

By Francis Ghilès

THE determination of Mr Mouloud Hamrouche, Algeria's new Prime Minister, to pursue radical political and economic reforms to pull the country out of crisis and restore public trust in the government is borne out by the list of ministers he presented to President Chadli Bendjedid at the weekend. Most of the 23 ministers have never held a portfolio before and most are young, highly qualified and respected professionals - often doctors or technicians who have been in charge of state companies. Less than half are members of the central committee of the ruling Front de Libération National (FLN).

UK minister urges fresh plan for boat people

By Michael Murray in Hong Kong

HONG KONG'S voluntary repatriation programme for Vietnamese boat people is unlikely to solve the problem by itself, and the international community must come up with a more effective solution, Mr Francis Mande, the British Foreign Office junior minister with special responsibility for Hong Kong, said yesterday while on a visit to the territory. Mr Mande spent part of the second day of his scheduled three-day stay at the Hei Ling Chau detention centre, which houses around 3,500 boat people arriving in Hong Kong after 28 days at sea. He also visited a soccer match in one of the recreation areas, and spoke through an interpreter with the boat people.

Seoul trial disrupted by defence protests

By Maggie Ford in Seoul

THE FINAL DAY of the trial of the Reverend Moon H. Hwan, the South Korean clergyman who married off his followers to communist North Korea, was disrupted yesterday by defence protests about the fairness of the judges. Mr Moon, whose illicit visit created a political storm in South Korea earlier this year, was accused of violating the draconian National Security Law which bans any contact with the North or 'anti-state' organisations supporting Pyongyang. Those convicted under the law could face the death penalty, although a prison term is more usual. Also facing trial under the law at present are Mr Kim Dae Jung, leader of South Korea's parliament, a Catholic priest, another MP and his aide, a woman student and several journalists. Mr Moon's trial has been held in camera with no reports of the evidence available. He has pleaded not guilty to perjury and to weak democracy in South Korea and renunciation.

Jordanians adjust to the novelty of open political debate

The forthcoming elections are seen as a necessary adjunct to economic reform, reports Lamis Andoni in Amman

AFTER a sleep of 22 years democratic politics are beginning to stir in Jordan, with unpredictable consequences within the country and implications elsewhere in the Arab World. The campaigning for the first parliamentary elections since the 1967 war, due on November 8, has already begun and is sparking off open political debate, the like of which has not been seen in Jordan since the 1970 civil war. The stakes are high: a successful Jordanian experiment with democracy might point the way towards a new kind of Arab politics, while failure would be a serious blow to still embryonic attempts to build democratic institutions throughout the region. Above all, the elections are of crucial importance to Jordan's efforts to reform its economy, which has been in crisis for the past year, with rising unemployment, rapidly increasing inflation and a heavy debt burden. Following price riots in a number of Jordanian cities in April and a subsequent crackdown removing Prime Minister Zaid Rifai, the authorities appear to be convinced that economic restructuring needs to go hand-in-hand with a measure of political liberalisation.

Lebanese leader spurns Arab League proposals

By Lara Marlowe in Beirut

GENERAL Michel Aoun, the Lebanese Christian leader, has taken a hard line against the peace proposals put forward at the weekend by the Arab League. Yesterday artillery bombardments continued in defiance of the Arab League's ceasefire appeal, and at least six more civilians were killed. The shelling began 90 minutes after a television appearance by Gen Aoun, in which he reverted to his hardline position of refusing to consider political reforms before a Syrian withdrawal from Lebanon. Such reforms are likely to give Lebanon's Muslim majority greater political power. 'Reforms are a trap which will not bring back Lebanon's sovereignty,' said Gen Aoun. He made clear his opposition to the Arab League plan by rejecting its suggestion of an inter-Lebanese security committee to halt arms shipments. In view of the continuing shelling in Beirut, the Arab League communiqué is now being interpreted to mean that the ceasefire will take effect only when the security committee - rejected by Aoun - is in place.



Mubarak, left, welcomes Rabin for talks in Cairo yesterday



Mr Mande yesterday with Vietnamese refugees at Hei Ling Chau camp

Jordanians adjust to the novelty of open political debate

The forthcoming elections are seen as a necessary adjunct to economic reform, reports Lamis Andoni in Amman

Not of course, that glasnost and perestroika have suddenly broken out under the 60-year-old Hashemite monarchy. Liberalisation is limited by structural and bureaucratic constraints built up in the absence of effective parliamentary life during more than two decades of martial law. Political parties remain banned and there are doubts as to whether committed political activists will be allowed to contest the elections. Moreover, election campaigns and meetings are subject to official restrictions. But these prohibitions and the strong grip of the influential security apparatus have not prevented steady change since the government of Prime Minister Zaid bin Shaker, a distant cousin of King Hussein, was sworn in four months ago. It was in response to public pressure that the king, ruler of Jordan since 1953, pledged to hold parliamentary elections, allow a freer press and crack down on corruption. Evidently encouraged by these achievements, Jordanians have since kept up the pressure for genuine change involving the creation of checks and balances in government. Individuals and banned political organisations have been mounting leaflet campaigns, attacking symbols of influence and wealth, lambasting corruption and calling for an end to curbs on political freedoms. 'The trend calling for a genuine return to parliamentary life is overriding and nobody dares stand in its way,' says Mr Taber al-Masri, the former deputy prime minister who has resigned to contest the elections. 'Glasnost and perestroika have not, however, suddenly broken out under the Hashemite monarchy. Liberalisation is limited... political parties remain banned'.

Lebanese leader spurns Arab League proposals

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Gen Aoun, who spoke of a Syrian-Israeli-American 'conspiracy of several layers, like a club sandwich', appears increasingly isolated. With the sole exception of his Iraqi backers, the Arab countries, his Lebanese opponents, the United Nations, the US, the Soviet Union and France have endorsed the Arab League tripartite committee's seven-point plan to end the conflict that has killed 521 people and wounded 2,713 others since March.

UK minister urges fresh plan for boat people

By Michael Murray in Hong Kong

Mr Mande stressed that the vast majority of the Vietnamese in Hong Kong have no alternative but to return home, and noted that the few hundred who had so far come back to Vietnam under the voluntary repatriation programme was a tiny number compared to those arriving in Hong Kong. 'It may well be that the numbers will increase,' Mr Mande said, but added that it was 'to the highest degree unlikely that it will solve the problem fully'. There is considerable popular pressure locally for the introduction of some sort of forced repatriation, leaving large numbers of the boat people to divide the boat people into those deemed to be genuine refugees fleeing persecution, and so-called economic migrants. Over 90 per cent are likely to be classified in the latter category, and will be held in closed camps before eventually having to return to Vietnam.

Seoul trial disrupted by defence protests

By Maggie Ford in Seoul

At yesterday's hearing the prosecution was due to sum up its case, ask for a guilty verdict and suggest a sentence. But defence counsel refused to allow the proceedings to continue, state radio reported. If the defence files a formal complaint about the judges' impartiality which is accepted by the court, the panel of judges would then be replaced, producing, in effect, a retrial. The National Security Law is one of the main targets for change by the opposition and is due to be debated at the current session of the National Assembly which started yesterday. President Roh Tae Woo has asked Mr Juan Antonio Samaranch, President of the International Olympic Committee, to help in negotiations between North and South Korea over sending a joint team to the 1990 Asian Games in Peking, it was reported yesterday. Mr Samaranch was visiting South Korea on the anniversary of last year's Seoul Olympics. Mr Roh also announced the establishment of a \$450,000 'Seoul Peace Prize' to be awarded every two years to groups or individuals who contribute to world peace and reconciliation.

Jordanians adjust to the novelty of open political debate

The forthcoming elections are seen as a necessary adjunct to economic reform, reports Lamis Andoni in Amman

Two weeks ago the Government released 82 political activists detained during the riots in April, a move which restored some popular confidence in official promises to guarantee free elections. On the economic front, the newly-appointed central bank governor has moved swiftly to stabilise the dirham, while the Finance Ministry has just finalised tax reforms that would relieve the tax burden on poorer Jordanians. Just as importantly, the last few weeks have seen the fall from power of a number of figures whose influence was conspicuous under the previous government. In August, the Government used martial law to take over Petra Bank, the country's third largest bank which was suspected of contributing to the dirham's fall through speculation. Mr Ahmed Chalabi, the bank's well-connected Iraqi founder, led the country in mysterious circumstances. Official investigations into the bank continue. Mr Ali Ghannour, another important symbol of power and wealth and a close Lebanese associate of King Hussein, has resigned after running the official Jordanian airline for 27 years; this was apparently in response to public pressure. Mr Ghannour, however, was appointed special adviser to the King on aviation. This month the resignation of Mr Abdul Hadi Majali, Jordan's powerful police chief and a member of one of the country's most influential clans, has been accepted. This amounts to a minor revolution in Jordanian institutions which had previously attracted public criticism. But the real test will be in the election process. Around 2,000 Jordanians representing most political tendencies, including some of Palestinian origin, have already announced themselves as candidates to contest the 81 parliamentary seats. Many politicians agree that a return to the 1953 constitution which guarantees political rights could provide the basis for national consensus. Last week a coalition of the banned Jordanian Communist Party and other left-wing groups, pan-Arab nationalists, together with some Islamic politicians and Liberals - comprising personalities who led the opposition in the 1960s and 1960s - issued a common programme which amounted to a call for a constitutional monarchy and the formation of a government that reflects public opinion. The opposition's programme is in marked contrast to calls in previous decades for the overthrow of the monarchy. They apparently hope that their public commitment to the constitution would counter a provision contained in the 1966 electoral law banning members 'who belong to unconstitutional groups' from running for the elections.

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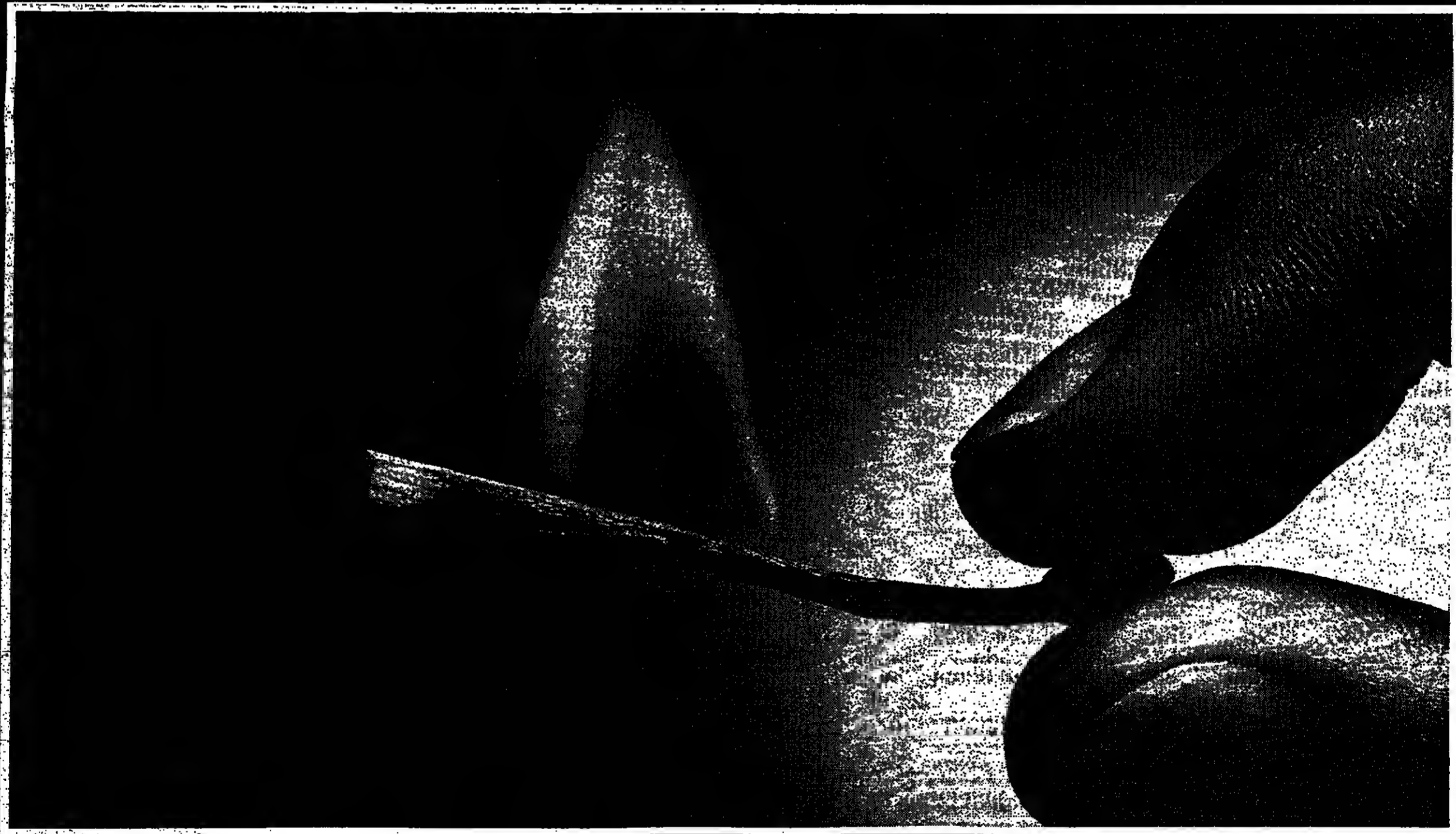
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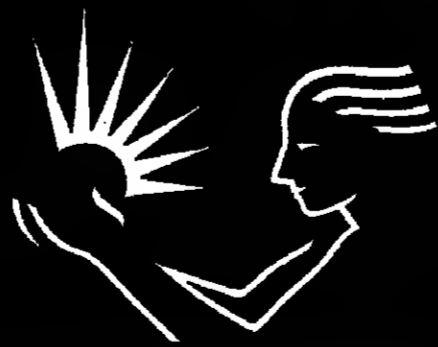
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AMERICAN NEWS

# Pentagon takes control of US anti-drug effort

By Nancy Dunne in Washington

MR DICK Cheney, US Defence Secretary, yesterday took command of the administration's widening efforts, as part of President George Bush's new war on drugs, to combat the production and smuggling of narcotics into the US.

Declaring the need to stop the production and smuggling of illicit drugs a "high-priority, national security mission," Mr Cheney said the Department would involve itself "in every phase - at the source, in the delivery pipeline, and to further support federal, state and local law enforcement agencies".

He ordered the armed forces Atlantic Command to submit a plan within three weeks for "a substantial Caribbean counter-narcotics task force, with appropriate planes and ships, to help reduce the flow of drugs from Latin America".

Mindful of widespread opposition to using the US military in foreign combat, he said the US will provide economic and security assistance, training and operational support for armed forces and law enforcement agencies in drug-producing countries.

"There's a very clear line right now," he said of US involvement with foreign military. "There has been no request from any host-country for the active use of American combat personnel. We aren't flying their helicopters for them. We aren't travelling

with their units as advisers into the field when they're on operational assignments".

Mr Bush has told Defence to be the lead department in improving co-operation by various federal agencies. Mr Cheney yesterday gave the commanders of various commands a deadline of October 15 by which to present plans for their roles in the mission.

The expanded military effort would increase surveillance at the Mexican border, support local police efforts and co-ordinate intelligence-gathering. He also asked civilian department and agency heads to submit proposals.

The Secretary said the US was studying these proposals:

- to install mobile radars in producer countries.
- train counter-narcotics forces of foreign countries, including the greater use of mobile training teams.
- place military personnel in federal law-enforcement agencies to provide liaison for training and planning.
- support US National Guard operations in the various states.
- provide temporary overflow facilities for jail space.

Mr Cheney said he opposed proposals to give US armed forces authority to shoot down aircraft coming into the US. "Obviously, the first time you made a mistake you would have severe problems," he said.

# Ford and VW threaten shutdown in Brazil

By Ivo Dawson in Rio de Janeiro

AUTOLATINA, the Brazilian holding company of Ford and Volkswagen, has warned that it may be forced to halt production this week if the government fails to agree substantial new price rises.

The company, with more than 60 per cent of the Brazilian market, says rises in costs of basic materials such as steel mean it can no longer pay component suppliers' prices.

Some 6,500 Ford and VW cars, trucks and tractors are stranded in company lots for lack of parts. Fiat and General Motors, Autolatina's two rivals in the potential 1m-unit domestic market, both have 3,500 uncompleted vehicles.

"Steel prices have risen 500 per cent this year, but our price adjustment has been only 254 per cent," an Autolatina official said yesterday.

# Sovereign debtors warned over arrears

By Stephen Fidler, Euromarkets Correspondent

THE Institute of International Finance, a Washington-based group which speaks for international banks, said yesterday that countries which allow interest arrears to build up will face difficulties in negotiating debt reduction agreements with creditor banks.

The pronouncement, in a letter to the chairmen of the two important committees of the International Monetary Fund and the World Bank which are to meet in Washington next week, spells potential difficulties for Argentina, Venezuela and Ecuador, which are in significant arrears to banks but also looking to benefit by proposals under the international debt strategy launched in March by Mr Nicholas Brady, US Treasury Secretary.

Two debt reduction agreements with banks have been outlined so far - for Mexico and the Philippines - under the Brady plan. They are the first which use official resources, including money from the IMF and World Bank, to support a reduction of debt burdens.

In the letter, the Institute says: "Both Mexico and the Philippines, in marked contrast to other would-be candidates for debt reduction, continued to service their existing obligations prior to and during negotiations with banks."

"Interest arrears are a major impediment to banks' willingness to engage in voluntary debt and debt service reduction, but banks are prepared to negotiate with debtor governments which have taken meaningful steps to become current on interest payments."

The IIF, which represents 184 banks and other financial institutions, is also critical of IMF tolerance of interest arrears. Under new operating procedures, the fund is lending to countries in arrears to banks for the first time.

"Creditor co-operation is undermined by IMF tolerance of interest arrears to banks. This is counter-productive because arrears are an invitation to capital flight," the letter says.

# Jamaica still laid low a year after Gilbert

The economy has been slow recovering from a hurricane, writes Canute James

TRAVELLERS on the road to Kingston's international airport are inevitably drawn to the sight of a light aircraft suspended between two trees. It was blown there exactly a year ago and is a reminder of the strongest hurricane ever recorded which scored a direct hit on the island of Jamaica.

While this monument to hurricane Gilbert has become probably the most photographed landmark on the island, Jamaicans are still feeling the pain of that traumatic September afternoon.

The economy has been slow to recover as export earnings have been reduced and imports have risen. The reduced earnings have put the Jamaican dollar under pressure causing an 8 per cent depreciation over the past month, and forcing the government to intervene to try to stabilise it.

In one afternoon nearly 40 per cent of our gross domestic product was wiped out," said Mr Michael Manley, the Prime Minister, reflecting on the economic impact of the storm.

"It was obvious that we could not take a blow of that size and not pay a price for it. We got a lot of help from abroad but there is no way that this form of assistance can ever cover the loss from a disaster of that size."

Gilbert, almost immediately immortalised in popular song

by ever-optimistic Jamaicans, left a half million people - about a fifth of the population - without homes. Export agriculture, mainly sugar, bananas and coffee, was extensively affected.

Damage to some hotels and the disruption of electricity and telephone services caused a dip in tourism while the bauxite industry was affected by a brief shutdown of mines and refineries.

The immediate repair needs were met by insurance payments. Mr Pat Taylor of the office of the Superintendent of Insurance said that \$65m had already been paid to meet

claims for damage. He said this represented 80 per cent of the claims which would be met.

These payments had a positive, if brief, impact on last year's economic figures when the deficit on the current account of the balance of payments fell to \$1.3m from \$148.4m the previous year. However, Jamaica recorded a visible trade deficit of \$382.2m, \$164.6m more than the deficit in the corresponding period of 1988.

The Government has had some difficulties in being magnanimous in assistance to poor, homeless Jamaicans and

small farmers, say officials. A programme to distribute "building stamps" and "agriculture stamps" which can be exchanged for materials is being affected by fears that spending targets in the fiscal budget, under tight control through agreements with the International Monetary Fund, could be blown.

Mr Manley has admitted to a de facto devaluation, saying the exchange rate of J\$35.50 to the US dollar over the past five years cannot be held at that level. Demand in the central bank's hard currency auctions, which determine the exchange rate, has jumped ahead of sup-

ply and the Government has had to increase the amounts to stabilise the rate.

The Prime Minister argues that despite the problems, the prospects for the economy are not all bleak, as sectors such as tourism, bauxite and manufacturing are expanding while agriculture is getting back on its feet, albeit slowly.

But he, like all Jamaicans, now weatherwise and expert after the fact, regrets with many a small degree of trepidation the birth of each tropical depression in the Atlantic, and the storms which they spawn and send churning towards the Caribbean.



An aircraft wrecked by Gilbert still awaits rescue in Jamaica.

MORE than 6,000 people were removed from coastal and low-lying areas of the Caribbean island of Puerto Rico yesterday afternoon as the eye of Hurricane Hugo skirted the north of the island.

Canute James reports from Kingston. Officials on Puerto Rico said there was extensive damage on the tiny neighbouring island of Culebra, where one person was killed.

The storm, with winds up to 140 miles per hour, had caused heavy damage on the French island of Guadeloupe and the British island of Montserrat.

The death toll from the storm, one of the strongest in the Caribbean for a decade, reached 11 last night. Five

people were killed on Guadeloupe, four on Montserrat, two on Antigua and one on Culebra.

Reports from Montserrat, which has a population of 12,000 people, said only a few buildings escaped damage, and that patients were evacuated from the hospital, which was destroyed.

Hugo was on a path which would take it past the north-west of Puerto Rico last night and on to the northern coast of the Dominican Republic and Haiti and to the Bahamas.

The hurricane is being followed by Tropical Storm Iris, which was about 500 miles east of Barbados last night.

# Political thaw allows social issues to the fore at UN

By Michael Littlejohns, UN Correspondent, in New York

A CONTINUING improvement in the political climate has encouraged expectations for an unusually productive 13-week session, starting when the 44th UN General Assembly is convened in New York today.

Social issues that were often all but obscured by the cold war could command as much or more attention than some of the hardy perennial political questions on the 150-item agenda.

Drug trafficking, international terrorism, the AIDS epidemic, the deteriorating environment, crime in the streets, the plight of millions of refugees and other homeless people, and continuing violations of human rights are only a few of the problems up for debate.

The Arab-Israeli conflict (with special reference to the Palestinian uprising), devastated Lebanon, tension in Cambodia and developments in southern Africa will all receive attention. Mr Yasser Arafat, the Palestine Liberation Organisation chairman, is reported to want to speak in the Palestine debate. He was denied a US visa last year and so unable to speak in New York.

For years, disarmament items have yielded a quarter of every General Assembly session's resolutions - 1989 will be no exception. Talks in the US this week between Mr James Baker, US Secretary of State, and his Soviet counterpart, Mr Eduard Shevardnadze, which may lead to accords on

verifying disarmament measures, could give impetus to forthcoming UN discussions.

President George Bush, a former US ambassador to the UN, is among more than 20 heads of state or government planning to address the general assembly. Mrs Margaret Thatcher, UK Prime Minister, has not picked up an invitation by President Carlos Menem of Argentina to meet and discuss the Falklands issue during his brief UN visit. She is expected to arrive next month and talk mainly about the global environmental crisis.

President Mikhail Gorbachev of the Soviet Union has given no sign of wanting to repeat his UN visit of last December, but a Soviet public relations

offensive is considered inevitable anyway. Mr Gorbachev is said to have been a moving spirit behind a special peace day programme being televised by satellite this morning before the assembly starts.

The Soviet Union is given credit for useful initiatives. Mr Shevardnadze, in a UN speech a year ago, sounded an alarm on the environment, saying global pollution and climatic change were threats as dangerous as war.

The Soviets, admitting that they too have a drug problem, might be ready to accept a more vigorous UN role to combat what Mr Javier Pérez de Cuellar, UN Secretary-General, last week termed "the commerce of degradation and

death." President Virgilio Barco of Colombia, where narcotics cartels threaten the very foundations of the country, is to address the general assembly on drugs next week.

These annual sessions afford an opportunity for many private exchanges among visiting leaders. Mr John Major, Britain's new Foreign Secretary, is expected to have his first substantive talk with the Soviet minister during a week-long visit. The presence of the foreign ministers of Iran and Iraq may well yield new efforts to break the Gulf deadlock.

Today the main business is to elect an assembly president. Maj-Gen Joseph Garba of Nigeria, is the uncontested nominee.

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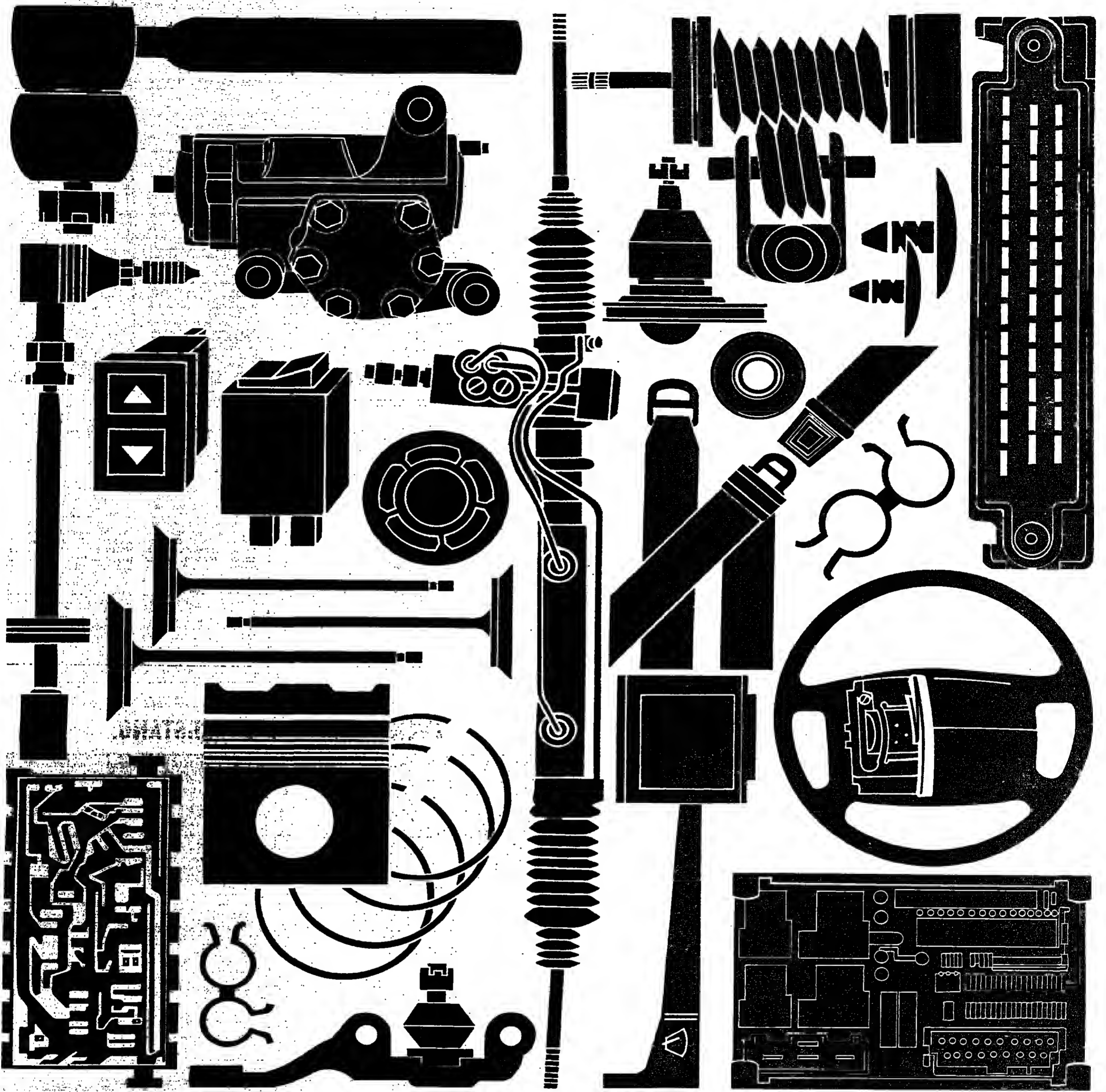
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WORLD TRADE NEWS

# Firm solution needed for Asia air snarl-up

Airport congestion has been under-estimated, a study finds. Richard Gourlay reports

**A**IRPORT congestion in Asia has been greatly under-estimated in many forecasts of air traffic to the year 2000 and is likely to be the single biggest obstacle to growth in fleet size, according to a study of regional air traffic.

While worldwide supply of wide-bodied aircraft will have to grow 45 per cent over the period to meet demand, Asia's airlines will need to double their fleets if they are to accommodate the region's growth and the recently-acquired passion in Japan for foreign travel. But such growth will not be possible unless the problems of airspace and airport congestion are addressed.

The study was compiled by the Manila-based Orient Airline Association (OAA) which represents 14 regional airlines, including JAL, Qantas, All Nippon, Cathay Pacific, Thai, Korean Air and Philippine Airlines, that together accounted for 40 per cent of the world airline operating profits in 1988. It draws on studies from member airlines, the regional airports and projections from Boeing, Airbus Industries and MacDonall Douglas.

It confirms that the biggest bottlenecks are likely to remain Tokyo's Narita, Hong Kong's Kaitak and Sydney's Kingsford Smith airports and the airspace around Japan.

These airport authorities respectively forecast 7 per cent, 5.7 per cent and 8 per cent annual growth in passenger departures to the year 2000. Actual growth rates in 1988, however, were 27.1 per cent for Narita, 20.4 per cent for Kaitak and 15.7 per cent for Sydney.

Even given what the OAA calls these "low to medium scenario" growth patterns, Osaka and Narita airports will handle more than 24m departures by the year 2000 compared with 9.5m in 1988, Kaitak 15m compared with 7.7m and Sydney 37m domestic and international departures compared with 13.3m in 1988.

A more realistic scenario, according to the OAA study, is a 9.9.5 per cent annual growth in passenger traffic for the region as a whole - even after taking account some loss of momentum as a result of the economic and political turmoil in China. This translates into about 185m departures a year at the turn of the new century, compared with 66.5m in 1988.

Cargo freight, handling of which is not considered such a problem by most airport authorities, will grow at most to 14m tonnes from 3.3m tonnes a year by the year 2000. Current airline expansion plans will not, according to the OAA, meet these demand projections. Mr Michael Hewitt, the OAA secretary-general,

## OAA OPERATING PROFIT (US\$bn)

1987(actual)	2bn
1988(actual)	3bn
1989(projected)	3.5bn
1990(projected)	3.8bn
1991(projected)	4.3bn
1992(projected)	4.8bn

Source: Orient Airlines Assoc, Manila

In 1988, 70 per cent of the OAA airlines' traffic and revenues was generated from within the region. The balance was split between Europe and the US equally. The numbers of Japanese travelling abroad rose 25 per cent in the last two years (1987 and 1988) but 80 per cent of their travel was within the region.

believes new orders will increase until 1992 and that up to a further 100 wide-bodied aircraft will be ordered regionally in addition to orders already placed. The OAA members have 583 aircraft, two thirds of which are already wide-bodied designs.

Some of the current airport congestion problems are being addressed. Canberra has decided, subject to an environmental impact study to build an extra runway at Kingsford Smith. The downside of this hard-won victory for planners

is that a decision to build what is the long-term solution, a new airport, probably at Badger Creek, may now be further off.

In Hong Kong the Governor will announce in October the location of new airport - probably at Chek Lap Kok - which will be completed by 1997. Extra aprons are planned at Kaitak but estimates suggest the recently-expanded airport will still reach capacity by 1992.

In Tokyo what should have been the second half of the Narita airport complex remains unbuilt amid continued resistance from a handful of Japanese farmers and persistent harassment of officials by environmental pressure groups. Pushing Honda into Tokyo Bay mainly for domestic traffic will help only partly. Development of Kansai, a new airport in Osaka Bay, may be more beneficial when it comes into operation in 1993.

Some hope is also offered by more advanced aircraft technology as more longer haul jets from the US are able to fly past Tokyo to other Asian capitals. This will allow US airlines such as American, Continental and Delta to develop the kind of "hub and spoke" operations out of Seoul's Gimpo airport. For example, that North West and United have successfully built out of Narita.

This could ease pressure on one of the most serious congestion points in the air corridor east of Narita through which many west-bound trans-Pacific flights must pass. But the real hotbed around Japan is unlikely to be removed until Japan's military life restrictions on civilian flights over the Sea of Japan, to the west of the archipelago.

Mr Hewitt believes less tangible pressures are developing on Asia's airports. Deregulation and liberalisation in the US, developing in Europe and coming in some form next year to Australia will not pass Asia by. In the wake of additional flexibility and perhaps less reliance on bilateral carrier arrangements will be cheaper fares and increased demand to travel.

The OAA report offers no solutions other than that more hotels, airports and larger fleets need to be built to accommodate the region's changing travel tastes. It implies, however, that if governments are to meet the challenge they will have to open to debate historically prickly issues. They will have to raise the question again - in Sydney and Hong Kong, for example - of lifting night flying curfews and they will have to combat the altogether tougher 15-year opposition to new facilities at Narita in Tokyo.

# Seoul-Pusan rail system planned

By Maggie Ford in Seoul

**SOUTH KOREA** is to spend Won 3,500bn (\$3.5bn) on a new high-speed rail system between Seoul and the main port of Pusan.

Preliminary studies are under way and the Korea National Railroad, with the Transport Ministry, has appointed Louis Berger, the US consulting firm, to help investigate new rail systems.

A symposium will be held in Seoul next month in which the technology behind France's TGV, Japan's Shinkansen bullet train and West Germany's newly-developed ICE will be explained.

The Government rail study group has been asked to make recommendations by next June, after which the contract will be open to international bidding.

The project has acquired a sense of urgency following South Korea's recent economic success. Planners have noted the advances made recently in rail technology, especially the ultra-fast magnetic levitated systems being designed in Japan and West Germany, but have not yet fixed their own requirements concerning speed, routing, and safety levels. Korea will be looking for a balance between the best technology, best performance and cost.

# Mosbacher plan puts South Korea fighter negotiations in doubt

By Maggie Ford in Seoul

**NEGOTIATIONS** over the \$3bn (\$1.8bn) Korean Fighter Programme, under which two US defence contractors are vying for the contract to supply 120 fighter jets, have been thrown into doubt following the visit to Seoul of Mr Robert Mosbacher, US Secretary of Commerce.

McDonnell Douglas, offering the F/A-18 (fighter/attack) and General Dynamics with the F16, have been bidding for the deal on the basis of guidelines tentatively agreed several years ago between the ministries of defence in both countries.

The guidelines cover the size of the offset programme and the number of jets to be either bought off the shelf, assembled in South Korea from kits, or fully built in South Korea.

During his visit, Mr Mosbacher is reported to have asked South Korea to buy 20 fighters directly from the US, rather than the 12 tentatively agreed, and to decrease the offset programme from 50-60 per cent of the value of the contract to 30 per cent.

Offset programmes transfer benefits to purchasers of military equipment either in the form of production, training or technology. They may also include export of locally-made aircraft equipment to the other

country. Observers noted that concern had risen in the US Congress about the transfer of US technology to countries which might use it to penetrate US export markets. Earlier this year, a trade battle erupted over a contract with the Japanese company Mitsubishi to co-develop the US FSX, a new generation of fighter.

Industry specialists say the South Korean deal is different from the FSX contract, where US and Japanese engineers will jointly develop new technology. The Korean programme involves only the transfer of existing technology, as has been done in many countries.

The argument over the Korean Fighter programme may reflect the decision by the US Administration to take a much harder line on trade issues than in the past. Mr Mosbacher praised Seoul's progress in opening its markets during his visit last week, contrasting South Korea's approach favourably with that of Japan.

But he said a number of issues remained between the two countries, including curbs on telecommunications imports, intellectual property rights protection, and farm product imports.

# Sony to begin output of magnetic tape in France

By William Dawkins in Paris

**SONY**, the Japanese electronic giant, is to begin making magnetic tape in France in early 1991, in its latest move to boost its products' European content.

Work will begin early next year on a FF500m (\$48.2m) factory employing 100 people, at Dax in the Aquitaine region of south-west France. It will supply two Sony video-tape and audio-tape plants nearby, plus a group audio-tape factory in Livorno, Italy. The three European tape plants produce 9.6m cassettes monthly, containing magnetic tape from other Sony factories in Japan and the US.

Sony opened its first European factory in 1974, in Britain, and now has 30 plants outside

Japan, spread across Europe, North and South America and Asia. With a French turnover of FF3.75bn last year, it is the country's biggest producer of video and audio cassettes.

The investment "demonstrates our desire to follow our efforts to develop local industry in depth," said Mr Masaki Morita, Sony's deputy president. The group was hoping to buy most raw materials for production at the new plant locally.

While Sony does not pay EC anti-dumping duties on its imported magnetic tapes, a spokesman said one reason for building up local production was to avoid the risk of such duties.

# Shoe industry lobbies EC to curb rising imports

By Alice Rawsthorn

**THE** European shoe industry is lobbying Brussels to take steps to curb the rise in imports which it says is causing devastating damage in the European industry.

In recent years, the European shoe companies have been hit by a rapid rise in imports from emerging manufacturing centres such as South Korea and Taiwan. This influx has been one of the chief causes of factory closures and job losses that have hit the European industry.

Two years ago, the European Confederation of the Footwear Industry (ECFI) lobbied the Commission over the rapid rise in imports of shoes from Taiwan and South Korea. The commission has mounted an inquiry to assess the problem, but has yet to decide on action.

The ECFI has sent an open letter to the Commission saying that "anger is rising every

day" among the European shoe companies because of its "failure to act".

The confederation is now pressing for restraints not only on imports from South Korea and Taiwan but against imports from all countries into the European Community. This is intended to prevent South Korean and Taiwanese manufacturers from relocating production in other countries.

Further, the ECFI is lobbying for free access to countries - such as Taiwan, China and Brazil - which have free access to Europe but impose restrictions on the flow of European products into their own markets.

The confederation argues that the introduction of these measures will give the European shoe industry time to invest in new technology, thereby improving its competitiveness.

# Gatt hints at tougher trade in services rules

By William Dullforce in Geneva

**THE** secretariat of the General Agreement on Tariffs and Trade warned yesterday that more liberalisation of banking and other financial services, under negotiation in the Uruguay Round, might have to be accompanied by stronger regulatory systems.

Gradual opening of financial services to foreign competition "may involve as much re-regulation as deregulation", the secretariat said in a paper prepared for the group negotiating services in the round.

The group will this week test the applicability to financial services, including insurance, of the principles which trade ministers decided last December could be included in a framework accord liberalising trade in services.

The secretariat suggested negotiators could decide to avoid regulations more onerous than underlying concerns warrant, and avoid discrimination, where alternative approaches were available.

But it would not be easy to address these issues, particularly as the trade ministers had recognised the legitimacy of rules intended to implement national monetary policies, maintain confidence in the financial system, and protect consumers' interests.

If a plan for progressive global liberalisation were adopted, developing countries

would have to devote resources to enhancing regulatory regimes and developing better systems of prudential supervision, the secretariat said.

The US and Japan, proponents of liberalising services, yesterday acknowledged full application of Gatt's non-discriminatory principle could be difficult in specific banking fields. But the EC stressed the importance of harmonising regulatory systems, to avoid imbalance of rights and obligations between national banking systems.

Washington wants rules to ensure the right of establishment for banks and companies in other countries. The secretariat notes it is often imperative for banking and securities-related service companies to have a presence near its client base. Such establishment-linked trade cannot usually take place without cross-border movement of personnel, it adds.

Because of differences between national financial practices, a country may ask for reciprocity when granting entry to another country's banks or securities companies. This has been an issue between the US and EC. But Gatt says non-discrimination realised through its most-favoured-nation principle would preclude reciprocity in the treatment of foreign-based banks.

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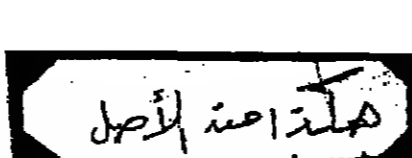
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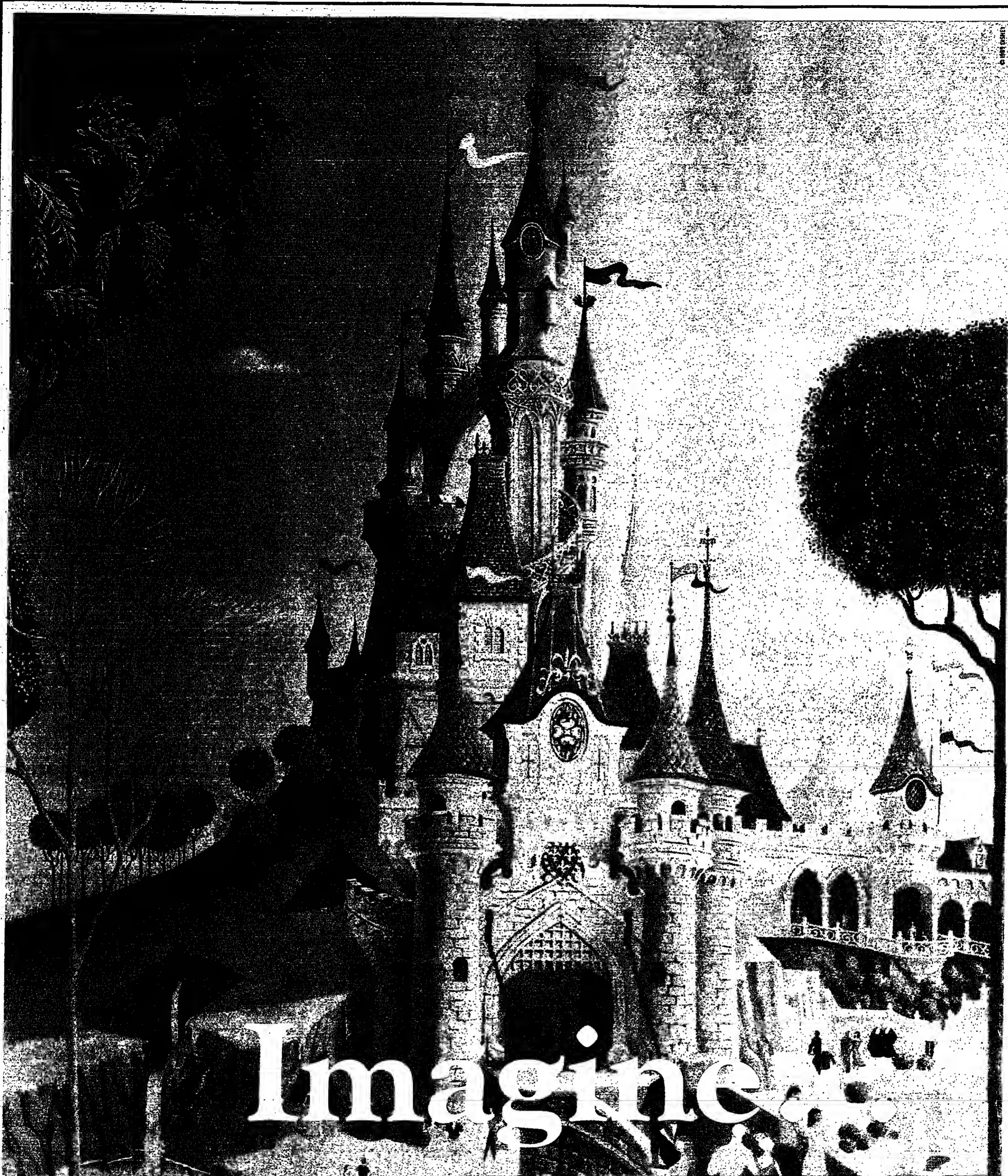


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## UK NEWS

Budget repayment target of £14bn in the balance

### Government borrowing in August reaches £700m

By Simon Holberton, Economics Staff

THE PROSPECT of the Treasury achieving a £14bn debt repayment this financial year appeared finely balanced yesterday after it released figures showing Government borrowing of £700m in August.

Last month's borrowing took the cumulative public sector borrowing requirement to a surplus of £700m in the first five months of the Government's April 1989 to March 1990 financial year. This compared with a PSBR surplus of £4.8bn in the first five months of 1988-89.

The comparison with last year is distorted by privatisation. Excluding those effects, however, the cumulative surplus was still well behind a

year ago. In the first five months the surplus was £300m compared with £1.1bn this time last year.

Many analysts believe that Mr Nigel Lawson, the Chancellor of the Exchequer, will find it difficult to achieve a £14bn public sector debt repayment as forecast in last year's budget. They believe that revenue growth has been less robust than anticipated, while expenditure growth has been a little stronger than planned.

Mr Lawson has already indicated that the take up of personal pensions will deprive the Exchequer of £2bn more than he estimated at the time of the budget. The Treasury said yesterday that there would be a

new PSBR forecast in the annual Autumn Statement of the government's spending plans, which is expected in November.

Against the losses to revenue has been the stronger than expected growth in employment, which has the twin virtues of increasing tax receipts and lowering expenditure on unemployment benefits. Income growth has also been strong.

In the five months to the end of August, total tax receipts were 5% per cent up on the same period in 1988 while supply expenditures were 6% per cent higher. The Treasury expected total taxes to rise by 5 per cent this year.

## In Brief

### Insurance industry told to raise its profile

THE British insurance industry must adopt a higher profile, Mr Joe Palmer, the Legal & General chief executive who has taken over as chairman of the Association of British Insurers, said after visiting the European Commission last week. He said insurance companies had been too modest about their vital role as institutional investors.

He accused the Government of being too complacent about the ownership of the industry. "Any government ought to have some concern about who owns its main fiduciaries. There shouldn't be one law for bankers and one law for insurance companies."

### Ulster coal sales

COAL sales in Northern Ireland fell by 9.1 per cent last year, but the Province remains the best domestic market for the fuel in the UK.

### Ambulance warning

LEADERS of 19,000 ambulance staff predicted their overtime pay offer would this week have worsening effects on ambulance services with services significantly reduced.

### Risks in actuaries

APPOINTED actuaries of life companies risk having their role in management reduced from sophisticated financial advisers to high-level technicians, Mr Roger Corley, president of the Institute of Actuaries and chief executive of Clerical Medical Group, said at an actuaries' conference yesterday.

### Land Registry jobs

THE Land Registry is to open a new office in York, creating up to 400 new jobs within four years.

### Oil rig safety

HEALTH and safety regulations for the oil industry drawn up after the Piper Alpha disaster in which 167 people died came into force yesterday.

### Retailers urge tougher curbs against credit card monopolies

By Meggie Urry

RETAILERS are urging the Government to go further in removing monopolies within the credit card industry than last month's Monopolies and Mergers Commission report recommended.

The Retail Consortium, which represents 90 per cent of British retailers, says the MMC report missed the whole issue of the cartel at the heart of the industry, which is costing retailers £30m a year.

The report found there was a monopoly among the credit card issuers, which acted against the public interest. But it said competition had increased in the last two years and market forces could be expected to remove most adverse effects.

The consortium yesterday launched its lobbying campaign saying its reaction was one of "great disappointment" to the report. It expects to be supported by the National Consumer Council.

The Department of Trade and Industry had invited comments on the MMC report when it was published before it decided whether to enforce the

report's recommendations. Mr Robert Woodman, chairman of the Consortium's payment systems policy committee, said the retailers' cost of accepting credit cards, compared with debit cards, totals £300m a year, equivalent to £12 for each credit card in issue.

He said there was a better chance that competition between retailers would allow that sum to return to consumers than that competition between banks would have the same effect.

Mr Woodman argued that the report failed to deal with the "interchange fee" - a fee paid by the bank which has signed up a retailer to the bank issuer of a card.

This fee is normally 1 per cent of the value of the transaction. The Consortium says it is passed on to the retailers. It says "the interchange fee is not determined in an open market by the free play of competitive forces". It should either be abolished or become subject to free negotiation.

The consortium also condemned the MMC for failing to recommend the abolition of the

"all cards" rule.

This allows a credit card issue to demand retailers take all the cards it issues, including debit cards. "The MMC has ignored the current injustice to retailers arising from this rule," the Consortium said.

This rule was at the centre of the retailers' dispute with Barclays Bank over its "Connect" debit card.

Barclays, the second largest high street clearing bank, said retailers which did not take the debit card could not take its credit card either.

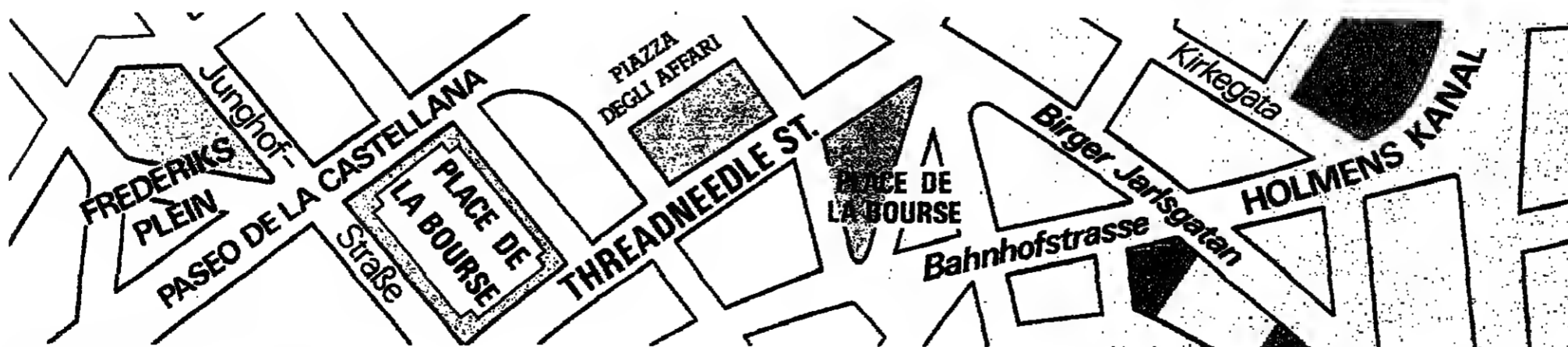
Retailers pay more for debit card than the cost of handling cheques.

The retailers said they favoured the abolition of the "no discrimination" rule recommended by the MMC.

This would enable retailers to charge different prices according to the payment method.

Mr Woodman said he felt few retailers would take advantage of the removal of this rule. However, small retailers which have to pay large percentage fees to the banks might offer a discount for cash, he said.

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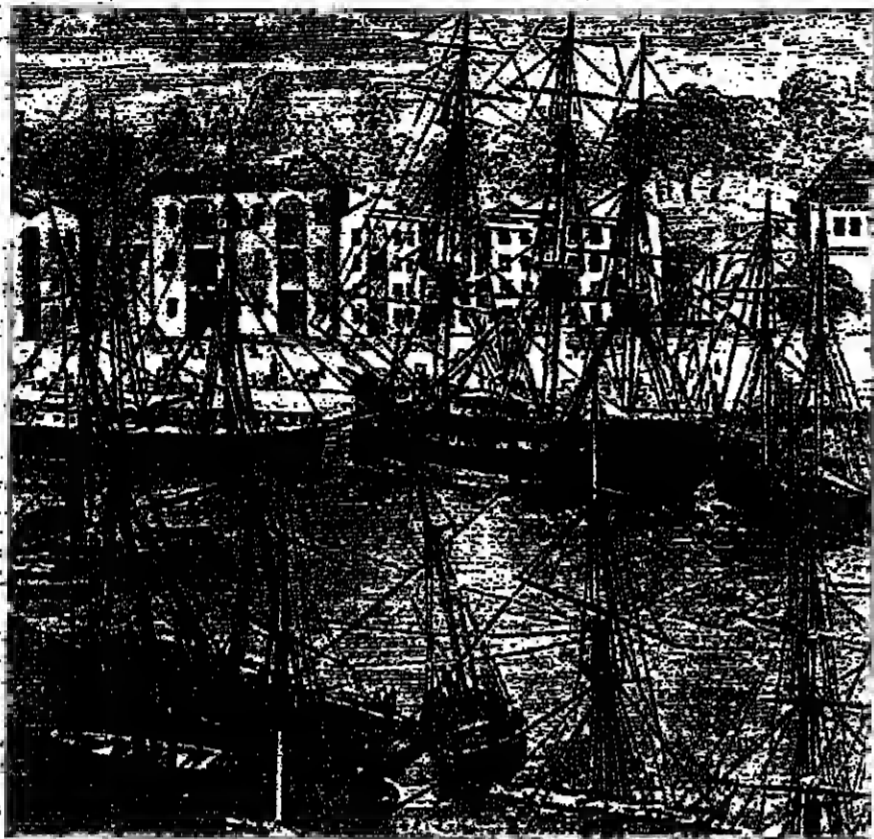
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## UK NEWS

## Leading Lloyd's insurer in line for top SE post

By Richard Waters in Venice

MR PETER RAWLINS, managing director of Sturge, a leading Lloyd's insurance firm, is expected to become the next chief executive of London's International Stock Exchange.

Mr Rawlins, a 38-year-old accountant who has spent the last five years in the insurance industry, has little direct experience of the stock market. However, he is understood to meet the requirement for a more commercially minded chief executive than the current incumbent, Mr Jeffrey Knight.

Mr Rawlins' name, though not widely known, is familiar in City of London regulatory circles. He acted as right-hand man to Mr Ian Hay Davison, the former chief executive at Lloyd's, who was responsible for the reform of the insurance market after the scandals of the early 1980s.

After returning briefly to a partnership at Arthur Andersen, the accountancy and consultancy firm where he had trained as an accountant, he was given one of the top jobs in the Lloyd's market at Sturge.

Mr Rawlins was described by one leading City regulator yesterday as a "modern man" ideally suited to the challenges that lie ahead for the

Exchange.

A significant strength was said to be his understanding of technology. Too often important technology projects at the Exchange have been led by people who do not have sufficient experience, said the regulator.

Mr Rawlins' appointment would come at a critical moment in the development of the Exchange's most important technology project, its automated settlement system, Taurus. This is due to be implemented by the end of next year, but has yet to leave the drawing board.

Mr Rawlins' candidacy has been discussed privately by his supporters since last month, when it emerged that Mr Christopher Castleman, a former chief executive of Hill Samuel, was also in the running for the job.

It is understood that the Exchange is now close to making an announcement. Headhunters have been searching for the past two months for a replacement for Mr Knight, who has said he will stay until the end of the year.

Mr Rawlins, who has already announced his intention of leaving Sturge, could not be reached yesterday. It was suggested in some quarters

that he may think twice about taking the job, given the difficult political environment in which the chief executive has to work.

However, one of those who has worked with him suggested that he would be strongly attracted by the opportunity.

"He's a very ambitious and political man. He is very much attracted by the bright lights. He was in Footlights [a comedy revue club] at Cambridge - he likes to be in the limelight."

The arrival of a comparatively young newcomer with little direct experience of the industry would be likely to cause some consternation at the Exchange, which is dominated by a number of powerful "barons" who head the various markets and divisions.

However, according to one influential City figure: "The barons should realise that the Exchange needs to move forward if it is to survive."

The appointment would be likely to win Mr Andrew Hugh Smith, the Exchange's chairman since last autumn, further plaudits from leading securities firms. Among other things, they have applauded his decision to have off clearing and settlements into a separate commercial operation.

## The Sun defends its pitch on the newspaper stands

By Raymond Snoddy

MR Kelvin MacKenzie, editor of The Sun, Britain's most widely criticised and widely read down-market tabloid newspaper, conceded yesterday the paper had been forced to start thinking about criticisms from non-readers and tightening up its coverage after the Elm libel settlement with rock star Elton John.

"We have got to think about what our non-readers say," said Mr MacKenzie, even though he believes that most critics of The Sun's approach to newspapers simply do not understand the nature of popular journalism.

The Sun - owned by Mr Rupert Murdoch, the Australian entrepreneur who owns five national newspapers in the UK - has already submitted a robust defence of its position to the Government-appointed Calcutt Committee now looking into the press and privacy. Mr MacKenzie believes in self-control not state control.

"You would be an absolute idiot to have the Elton John affair happen and you not learn some lessons. We did learn lessons. Things have changed there is no doubt," said Mr MacKenzie, giving a rare interview yesterday to the

media correspondents of Britain's five broadsheet national dailies in the boardroom of News International, the Sun's headquarters in East London.

The editor has no intention of drastically changing his view of the world or the basic nature of the paper, which thrives on a diet of scandal and exposes on the lives of the famous.

"The only qualms we have is when we get it wrong. Then its open season."

"I see nothing wrong with what we do. I love the paper. I love the readers. I have a great

time producing the paper," he said. Then, with all the verve of a Sun editorial he went straight on the attack.

Mr MacKenzie, who took over the editorship of Britain's largest selling daily from Sir Larry Lamb in 1981, went on to accuse the broadsheet press of taking "the most uninteresting thing that had happened in Britain or the world" and putting it at the top of the front page, and writing stories that were far too long.

Stressing the need for good writing, he said newspapers needed "great writing" if they were not to go out of business.

"Ours are great words," he said with conviction.

He said his paper, which has 12m readers, came under attack for two reasons - it was a power the Establishment could not control and rivals were jealous of its success.

He delivered a robust defence of The Sun's format known for its punchy headlines such as "Up Yours Galtieri" during the Falklands Conflict, before returning to his newsroom returning to the words of Sidney Carton in the words of *A Tale of Two Cities*: "It is a far better thing I do now."

## Rail union threatens fresh action

By Jimmy Burns, Labour Staff

BRITISH Rail, the state-run railway, is again being threatened with industrial action on its plans to change its collective bargaining machinery, one of the issues at the heart of this summer's national rail strike.

Mr Neil Milligan, general secretary of train drivers' union ASLEF warned yesterday that unless BR agreed to meaningful negotiations, his members will be balloted on "forms of industrial action".

Union officials of the National Union of Railwaysmen and the white collar TSSA privately indicated that any talk

of imminent strike action was premature given that BR has agreed to extend its November deadline for terminating the existing machinery by three months to January 31 1990.

They expressed unease, however, that BR management was attempting to claw back a certain independence on pay more in line with its pre-strike objective of turning the railway into a commercial business driven not so much by unions as by customer demand.

BR said last night that discussions with the rail unions were "continuing" after confirming that the issue of the

negotiating machinery had been the subject of an unpublished exchange of documents in recent weeks.

Mr Milligan was strongly critical of what BR's last night was still insisting were "confidential proposals".

According to Mr Milligan, one BR proposal made on August 4 suggests that sub-groups of new "Functional Councils", representing staff according to skills, would be able to vary the standard working week for BR staff and, by implication, have a greater influence in setting pay and conditions.

## Restrictions imposed on Guinness hearing

By Robert Rice, Legal Correspondent

THE judge who is to preside at the trial next year of seven defendants on charges arising from the Guinness takeover of Distillers - the Scots whisky group - began hearing legal argument today on pre-trial issues raised in the case.

Reporting restrictions covering the preparatory hearing before Mr Justice Henry were not lifted.

Two of the defendants - Mr Ernest Saunders former chairman and chief executive of Guinness - the UK brewer - and Lord Spens, former managing director of merchant bankers Henry Ansbacher - were present in court for the hearing at the High Court in London.

Mr Saunders was arrested on May 6 1987, Sir Jack Lyons on October 8, Mr Ronson on October 13, Mr Seelig on October 15, Lord Spens on March 24 and Mr Mayhew on April 7.

All are on £500,000 bail. The hearing was adjourned until today. Reporting restrictions in preparatory hearings in fraud trials are imposed automatically by the 1987 Criminal Justice Act which was introduced by the British Government to simplify the investigation and prosecution of fraud.

Preparatory hearings can be ordered by the trial judge where it appears to him that there might be a substantial benefit to be gained by holding a hearing before a jury is sworn in to identify the material issues of the trial, assist the judge's management of the trial or speed up the proceedings before the jury.

Automatic reporting restrictions are placed on such hearings to ensure nothing material to the case is reported which might seriously prejudice the outcome of the trial.

Restrictions can only be lifted by court order on application from the accused. In all other cases all that may be reported is basic facts of the case such as the names and addresses of the accused, the name of the court and the judge, adjournment details, bail arrangements and whether legal aid was granted to any or all of the accused.

Mr Saunders and his six co-accused have all pleaded not guilty to all the charges against them, which include allegations of theft, false accounting and conspiracy to defraud.

Mr Saunders faces 49 charges, Mr Seelig, the former Morgan Grenfell corporate finance director, 20, Mr Parnes, a former City stockbroker, 14, Sir Jack Lyons, the millionaire financier, 13, Mr Ronson, chairman of the Heenan Corporation, 11, Lord Spens, former director of corporate finance at the Henry Ansbacher merchant bank, 5, and Mr Mayhew, senior corporate finance part-

## Fresh call for full UK EMS entry

By Simon Holberton

THE ONLY thing Britain would lose by fully participating in the European Monetary System would be the right to a higher inflation rate than its European competitors, according to Mr Samuel Brittan and Professor Michael Artis in a pamphlet published today.

Both authors believe a fully functioning single market in goods and services needs a stable exchange rate environment and that is provided by the EMS. They warn of the development of a "two-speed Europe", and of declining British influence in Europe if the UK stays out of the EMS.

Mr Brittan, an assistant editor of the Financial Times, believes that steps towards economic and monetary union should proceed by evolution. He writes that fiscal and regional issues are best solved by market forces, not by edict from Brussels.

Prof Artis, Professor of Economics at Manchester University, writes that Britain should enter the EMS on the same terms as Spain and Italy. Both countries' currencies are permitted wider fluctuations than others in the EMS.

He says nations have lost faith in the exchange rate as a tool of economic management and do not see inflation as an alternative to unemployment.

*Europe Without Currency by Samuel Brittan and Michael Artis, The Social Market Foundation, 194 Regents Park Road, London NW1 8EP.*

## Ford widens workplace smoke ban

By Charles Leadbeater, Labour Editor

FORD, the car manufacturer is to extend dramatically its ban on smoking at the workplace in response to mounting concerns about the health hazards of passive smoking.

The company's newsletter to its 42,000 employees says that from this January employees will not be allowed to smoke in lifts, corridors, lavatories, conference rooms and rest rooms designated for non-smokers. At least 50 per cent of canteen areas will be designated as non-smoking areas.

However, Ford will not stop smoking on the assembly line. Large factory areas are so well ventilated there was little risk to non-smokers from inhaling tobacco smoke in the work environment, Ford said.

Shop floor workers are already banned from smoking in sensitive areas which use chemicals or petrol products.

Ford said the decision had been taken in the light of mounting scientific evidence of the health risks of people exposed to tobacco smoke at work which had provoked rising concern among staff.

Ford's move reflects growing interest among employers in banning or restricting smoking on the premises. A group said it was receiving about 200 inquiries a month from employers interested in smoking policies, compared with 200 in 1987 as a whole and none in 1985.

## UK to step up educational co-operation with France

By David Thomas, Education Correspondent

THE UK Government is to step up educational co-operation with France following a meeting yesterday in London between the education ministers of the two countries.

Mr John MacGregor, the Education Secretary, said he and Mr Lionel Jospin, his French counterpart had identified technical and vocational education as particularly suitable areas for further co-operation.

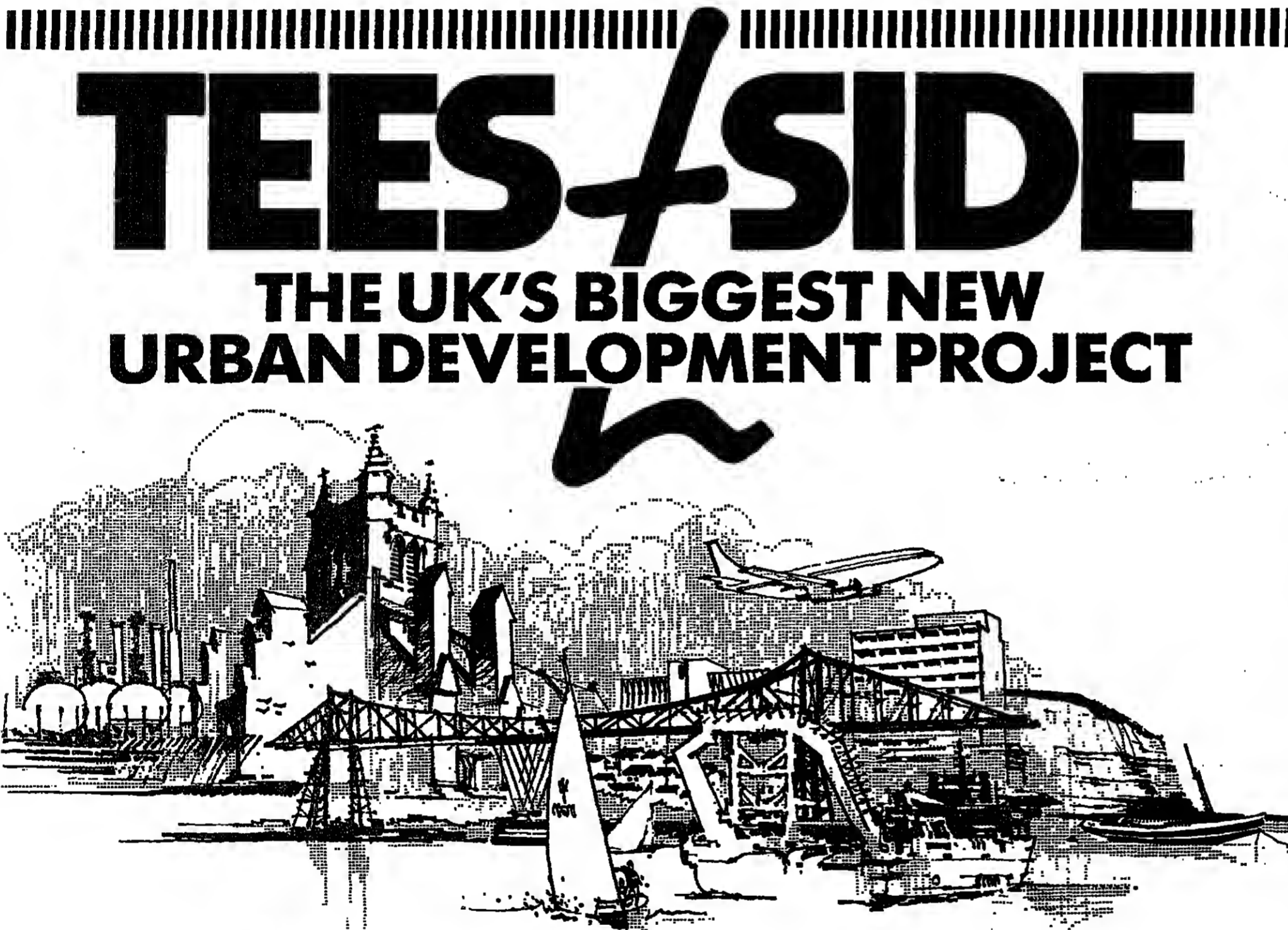
Senior officials from the two countries will meet to finalise ideas for further action, which are likely to include:

- Encouraging British and French schools to use new technology to look at problems together, for instance using

electronic mail for joint design projects.

- Helping teachers in other than foreign languages to take part in exchange programmes.
- Pupil exchanges to study vocational subjects in the other country's language.
- Promoting headteacher meetings to discuss shared educational projects, and more exchanges of language teachers.

The British Government has, however, allocated no extra resources to this co-operation initiative, but officials believe that most of the activities envisaged by the two education ministers are relatively inexpensive.



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Hartlepool - provision of residential, leisure and business amenities and maritime-related enterprise of the new marina complex. Teesside Park - specialist retail outlets at the old Stockton racecourse, now being developed together with the UK's largest leisure centre. Teesside opportunities - backed by Development Area grants and Enterprise Zone incentives. To find out more contact Duncan Hall, Chief Executive, Teesside Development Corporation, Tees House, Riverside Park, Middlesbrough, Cleveland TS2 1RE. Tel 0642 230636. FAX 0642 230843.

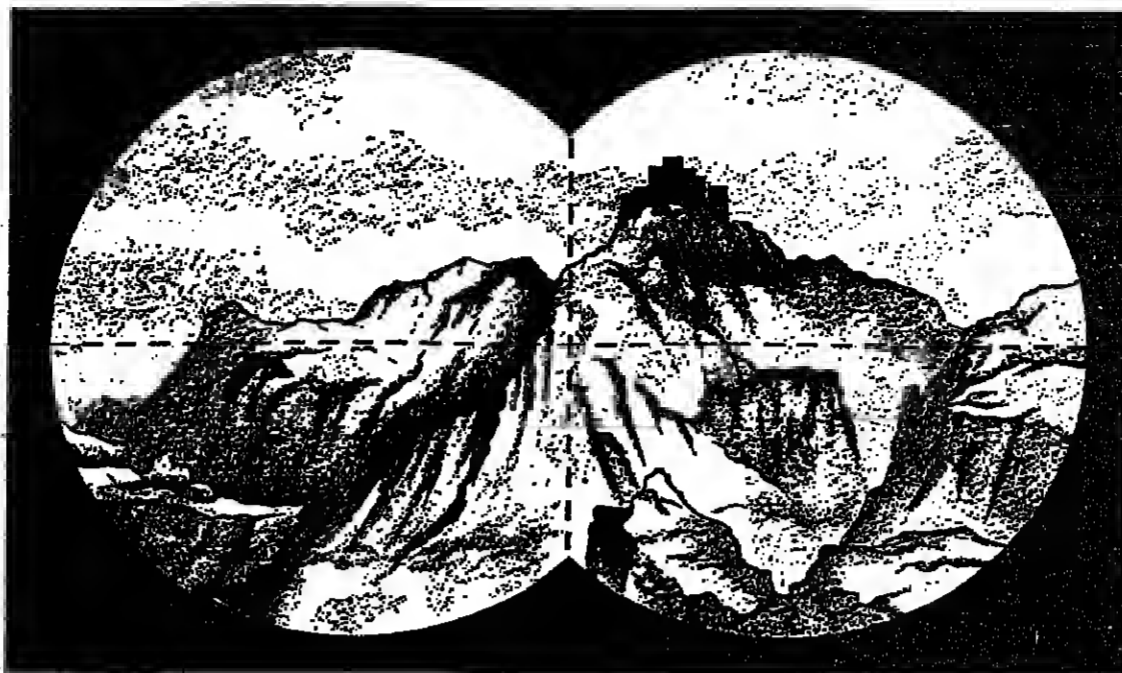


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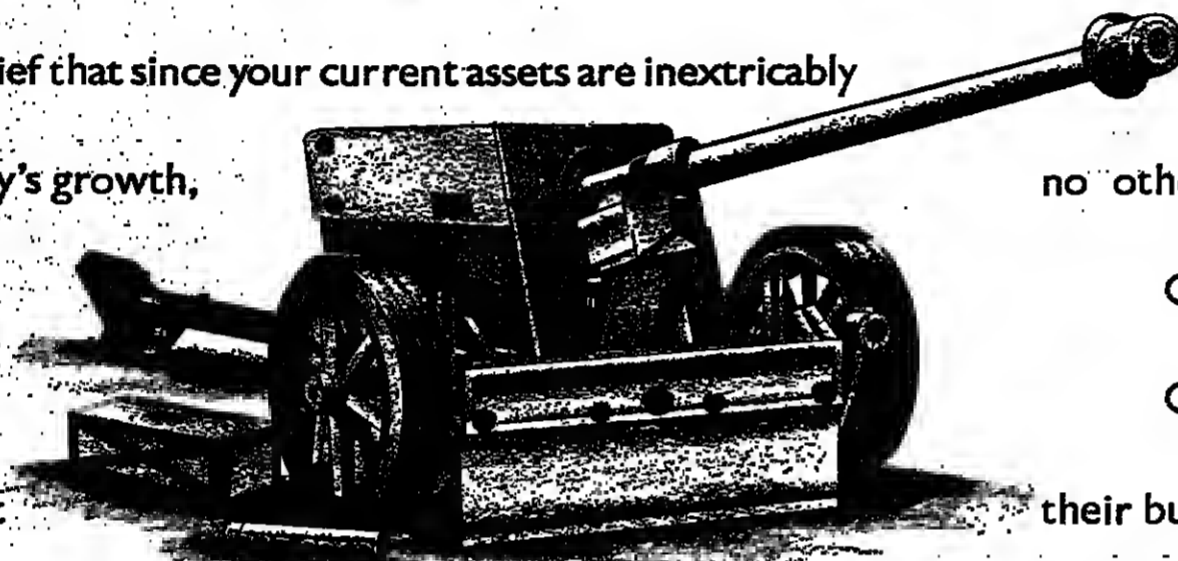
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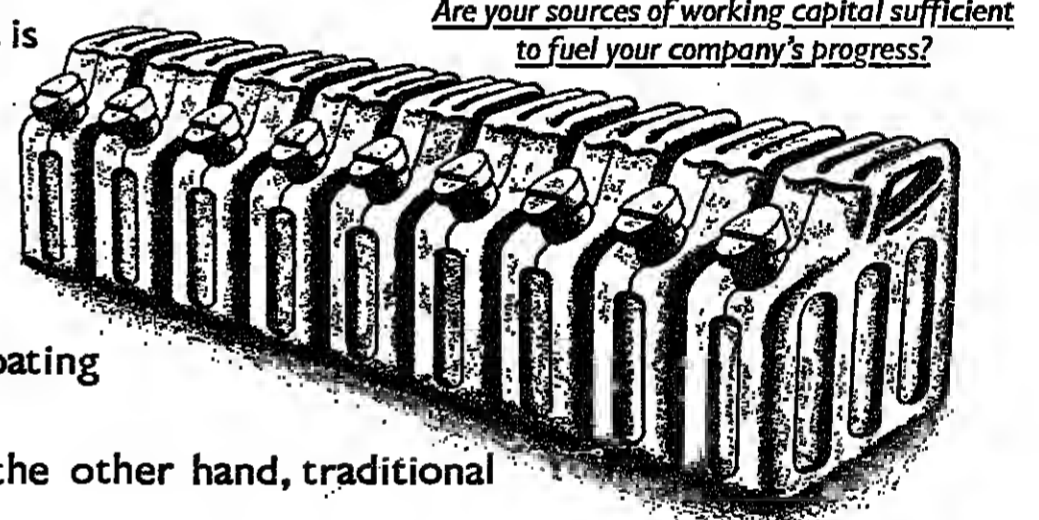
primarily to

lend against

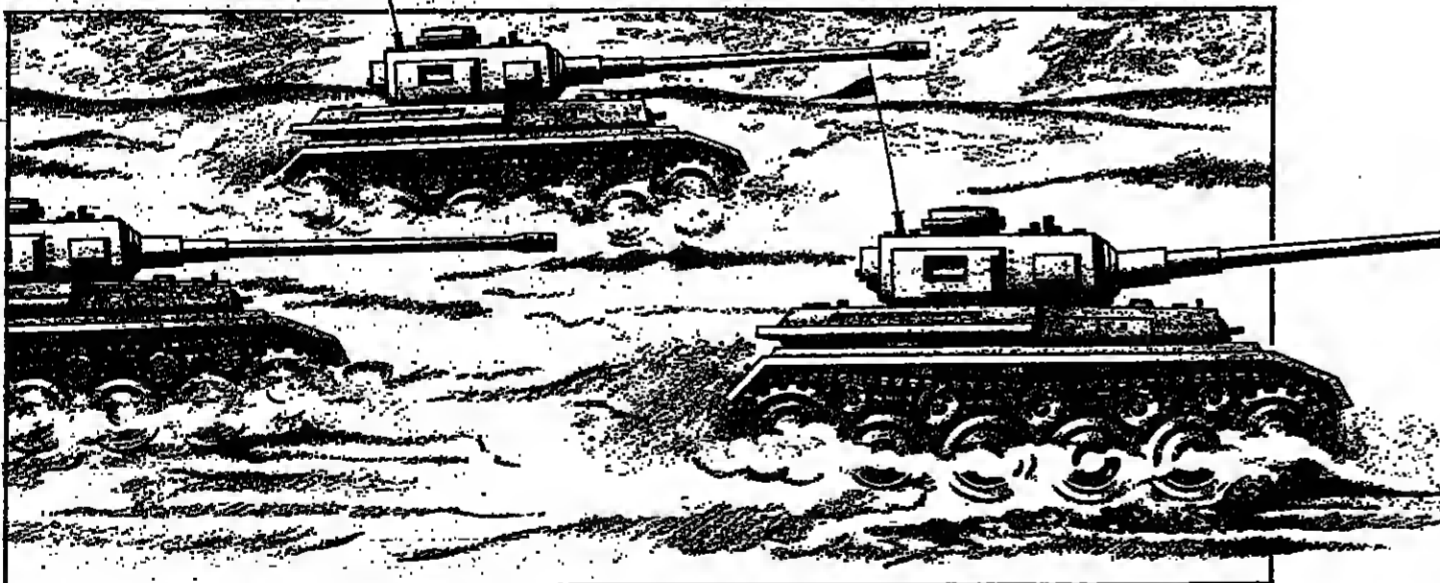
fixed and floating

charges. On the other hand, traditional

invoice discounters have tended to assume that their business is purely based on lending against book debts.



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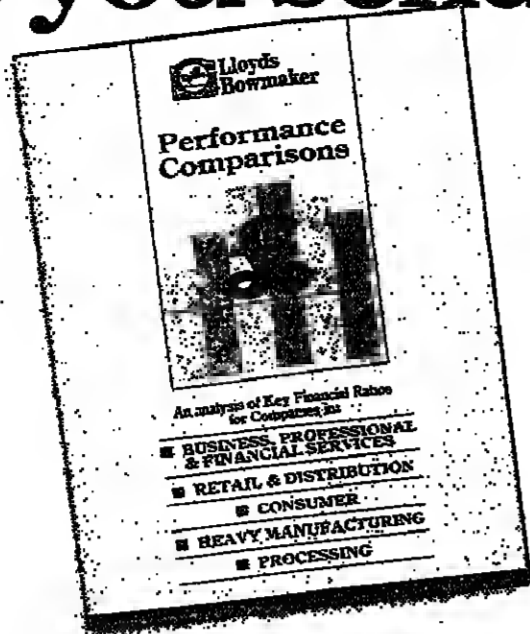
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## UK NEWS

# Waste merchants come clean on PCB disposal

Richard Donkin on treatment of harmful chemicals

LOOKING at the clear glass jar with its seemingly innocuous contents, the colour and clarity of white wine and the consistency of gravy, it was difficult to understand what all the fuss was about. "Electrical engineers used to use it to get grease off their hands," said Mr John Thistlewood, National Operations Manager at Cleanaway, the largest UK, chemical waste merchant.

The substance was PCB (poly-chlorinated biphenyl), the disposal of which has perhaps done more than anything to change the face of the chemical waste industry. Although scientists are still uncertain of its toxic effects on humans they have sufficient data of carcinogenic effects on animals to insist that the greatest care is taken in its destruction.

The destruction of PCBs is a small tiny proportion of the general waste industry in the UK. Its elevation into the political arena, however, alongside a growing environmental awareness worldwide has led the industry to embark on a multi-million pound reinvestment programme.

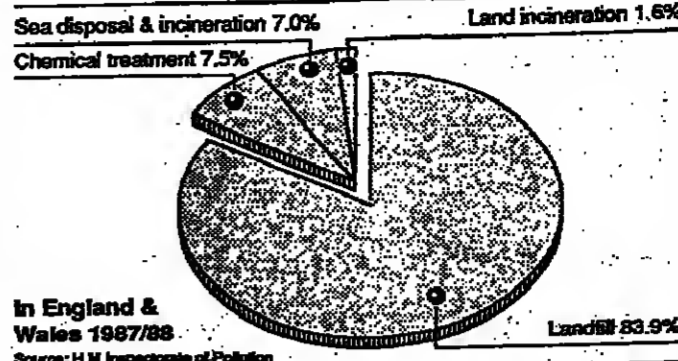
The controversy that stalks PCBs and dioxins, the gases that can be generated if PCBs are not properly incinerated, has proved the saviour of companies such as Rechem, which, since its management buy out from BET, the international services company for £1.6m in 1985, has successfully traded on its unique ability in the UK to dispose of solid PCB waste within Government guidelines.

Waste producers that cannot afford to risk their reputations or possible court actions years into the future have been prepared to pay Rechem as much as £2,000 a tonne to get rid of their PCBs.

Rechem has been one of the darlings of the London stock market, reporting profits up 94.1 per cent to £8.75m in March. The recent controversy has done little to dim its share price.

The company, with Cleanaway, is well placed to compete in this increasingly profitable sector where public fears about chemical waste seem to have a direct impact on the prices that can be demanded for its disposal.

### Hazardous waste disposal



In England & Wales 1987/88  
 Source: H M Inspectorate of Pollution

While public pressure groups appear to focus on the toxic waste treatment plants, a recent Department of the Environment report, Dioxins in the Environment, pointed to municipal incinerators as the greatest source of dioxins released into the atmosphere from waste burning.

One of the main worries about PCB solids incinerators is the fear of spurious emissions or blowbacks when the material is loaded into the furnace. Cleanaway and Rechem have developed a head start in what was intended to be a four or five horse race to build a new generation of incinerators. Both have planning permission for the construction of rotary-kiln incineration plants which, arguably, should make the UK industry as good as that available anywhere in the world.

Ocean Environmental Management and Leigh Interests, two other large players, are still held at the starting post after refusals of planning permissions for their own incineration plants at Teeside (Ocean) and Doncaster.

Mr Peter Johnson, marketing director of Ocean, said the company was diversifying. He believes pressure from Europe will lead co-disposal to landfill of chemical wastes with other wastes to gradually disappear. Denmark has stopped and the Netherlands and West Germany are likely to follow.

According to the first annual report of Her Majesty's Inspectorate of Pollution published earlier this year, some 80,000 tonnes of hazardous waste were imported for treatment or

incineration in 1987-88, still a fraction of the 4.8m tonnes produced in England and Wales during the same period.

The greatest percentage of identifiable special waste imports came from the Netherlands, followed by West Germany, Belgium, Switzerland, Ireland and Denmark.

The problems of disposal for countries like Ireland which produces only small amounts of chemical wastes has led some experts in the industry to argue against Mr Chris Patten, the Environment Secretary's stance that each developed country should dispose of its own developed waste.

But the trend towards land incineration, particularly since the North Sea Conference in November 1987 set a target date of December 31 1994 for the phasing out of incineration at sea, seems unavoidable with the arrival of even more efficient systems.

Perhaps the darkest horse of all in the race for the 1990s market could prove to be the water industry which sees waste as one of its specialities. Northumbrian Water is planning a joint project with international technology Corporation, of the US, to build two integrated treatment plants with incinerators, at a cost of between £10m and £20m each on Tyne-side and Teeside. The French, water companies, which are already moving into the domestic waste and street cleaning markets in the UK, may also be a source of future competition in what is promising to become an increasingly hotly contested marketplace.

# Patten tries to prevent EC action over water

By John Hunt, Environment Correspondent

BRITAIN'S Environment Secretary was last night making a last-minute attempt to prevent the UK being taken to the European Court over failure to comply with the European Community directive on drinking water quality.

Mr Christopher Patten was talking in Brussels with Mr Elio di Meana, the Community Environment Commissioner, to persuade him that Britain has done everything possible to speed-up the programmes of improvements undertaken by the water companies.

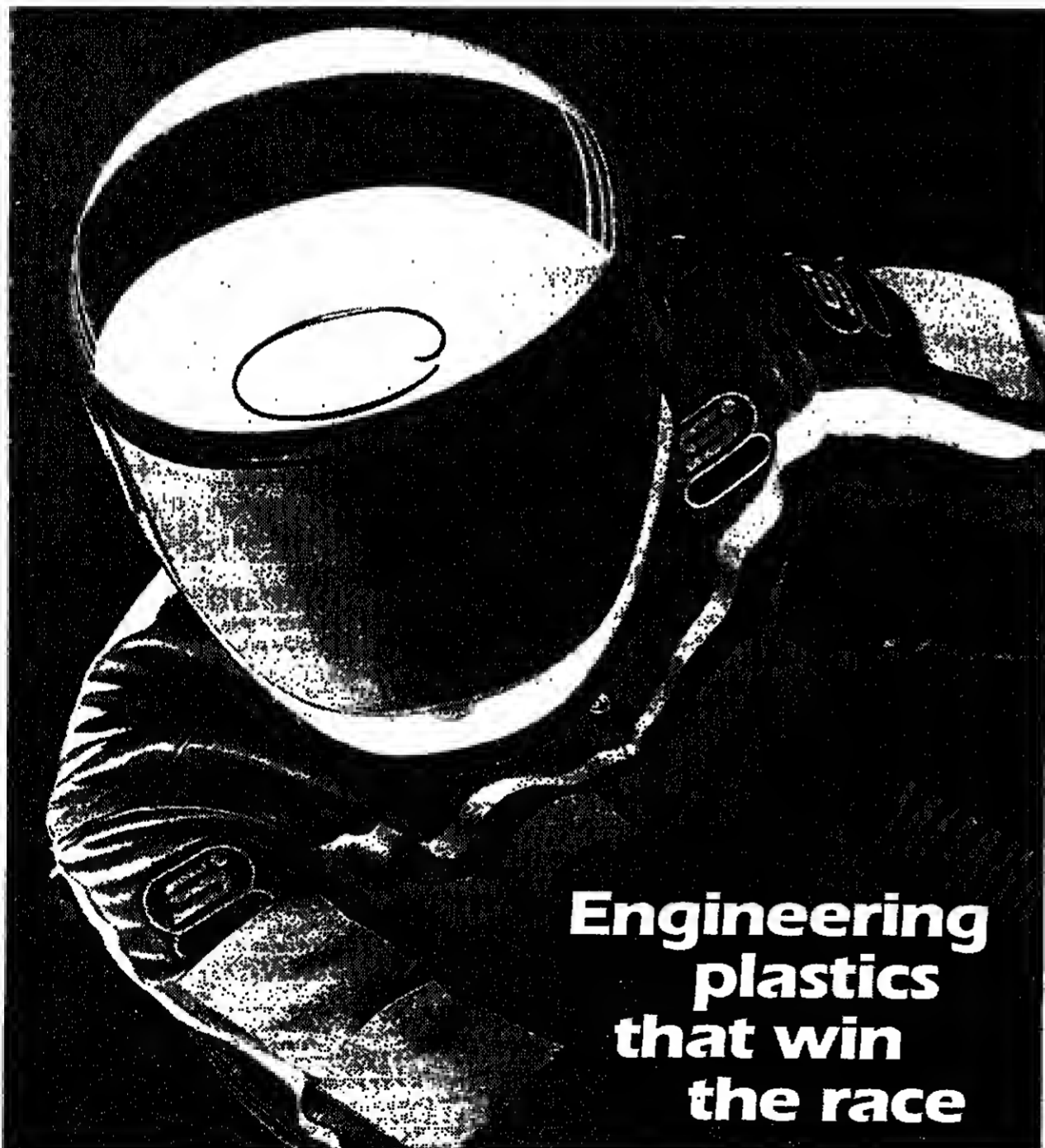
In July, Britain was told that it had two months to meet the directive, with which it should have complied by 1985. The July deadline expires today and Commission officials have warned that unless it is met, Britain may be taken to the court. There are 30 water sources in Britain which the Commission regards as problem areas.

The problem centres on nitrates in water which environmentalists say can cause stomach cancer and child deaths. The directive allows a maximum level of nitrates of 50 milligrams per litre and wants Britain to comply by 1993 at the latest.

A big operation began yesterday to clean up a five-mile oil slick off north east Britain caused when the Phillips Oklahoma, a tanker carrying 56,000 tonnes of crude oil, hit Maltese-registered vessel Fiona, also carrying fuel oil. Fires broke out on both vessels but nobody was hurt.

The opposition Labour Party demanded an immediate Government inquiry into the collision. Mr Tony Blair, the party's energy spokesman, said: "This is the second serious accident involving oil carriers in the last few weeks, the first leading to last month's disastrous spillage off Merseyside." He called for a review of rules governing the carriage of oil.

Experts calculated that as the tide turned, the oil slick would be washed further out to sea and begin breaking up.



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## EUROPEAN PERSONNA

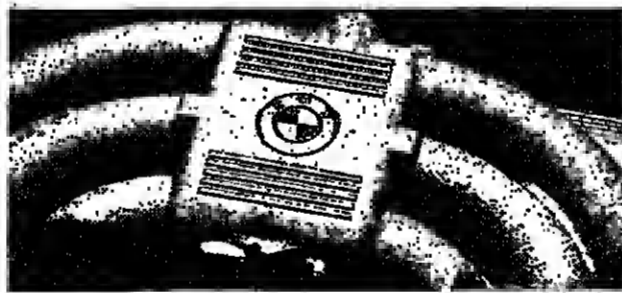
Acceptance as a „persona grata“ involves the presentation of credentials recognised far beyond the frontiers of the home country.

An example of this is the BMW 3 Series. The objective of the conceptual design was to equip compact, high-performance cars with the demanding technology of generously specified limousines.

This concept, with consistent development, has brought the 3 Series to a particularly high standard which has been widely recognised internationally.

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All the engines are controlled by the most modern electronics – by DME, the digital engine management system, in the case of BMW 3 Series models with petrol engines and by DDE, Digital Diesel Electronics, in the case of 3 Series models with diesel engines.



Models with a swept volume of 2.1 litres and above are automatically fitted with a silky smooth BMW 6-cylinder engine.

The 3 series also has a large number of optional safety features which are usually only found in larger vehicles manufactured to a more generous specification. These include the anti-locking brake system and the airbag which, if desired, can also be provided in the 316i.

The individual character of the BMW 3 Series demonstrates that genuine personality always involves more than one facet. There are, in fact, fourteen different

basic models in the 3 Series alone, which includes seven alternative engines with nicely arranged power intervals. And four different body types – cabriolet, touring, 2-door and 4-door.

The 3 Series thus exhibits great functional flexibility but the versions have one ideal in common – driving pleasure. A personal driving experience which is convincing more and more Europeans.

For years they have been voting for the best in its class – the 3 Series.

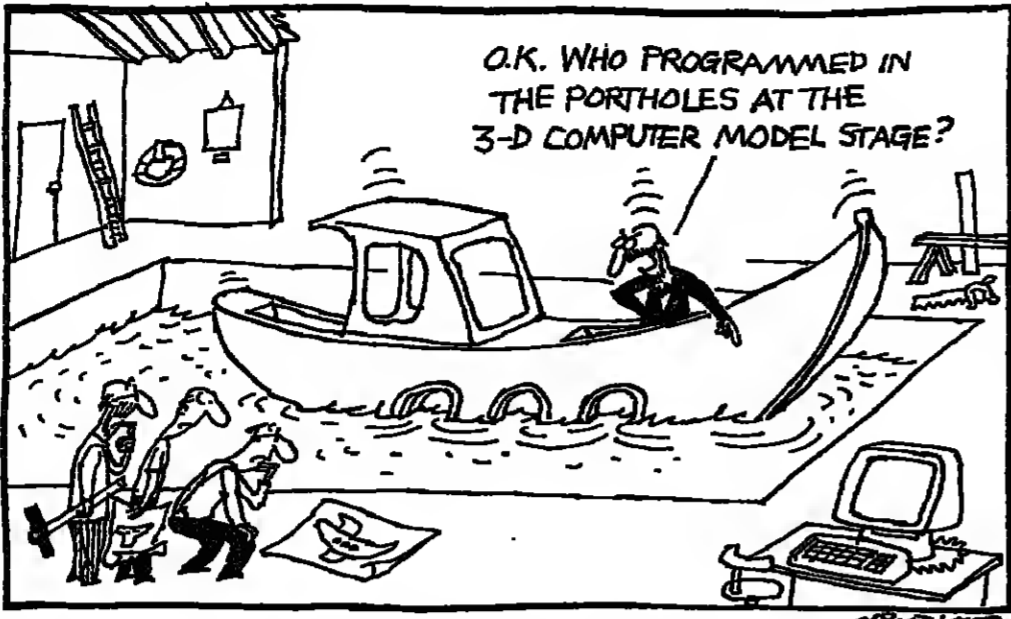


**The ultimate driving machine**

TECHNOLOGY

Della Bradshaw explains how computerised modelling can benefit the small company  
**A step nearer the design miracle**

The scenario is all too familiar in most manufacturing companies. Your competitor starts you by announcing a product which makes your range pale into insignificance. So a designer is summoned and told to do the impossible - come up with a product which has more bells and whistles, costs less and can be in the shops before your rival gets a chance to corner the market.



Crucial to this proposed miracle is the initial design phase. If it can be accelerated and produce more accurate specifications, there is a far better chance of bringing out that all-important widget quickly and cheaply.

This is because decisions made in the first 5 per cent of the development process determine 85 per cent of the cost of making a product, says Ronald Friedsam, chairman of the Structural Dynamics Research Corporation (SDRC), of Milford, Ohio. His company helped pioneer the automation of that critical five per cent - by modelling new designs on a computer screen in a three-dimensional form.

Previously only large corporations could afford such systems, but the increasing power and falling price of computer hardware mean that many smaller companies can use these software packages for 3-D or solid modelling.

The technique enables designers to construct the whole product by "drawing" the various parts on the computer screen - replete with curves, twists, knobs and bumps. The designer can rotate the model to look at it from every angle and instruct the computer to fit parts together, to make sure they match before the manufacturing line is geared up.

Technophone, the hand-held cellular phone manufacturer, of Camberley, was quick to spot the benefits of automating the design process. The first phone developed by the fast-growing young company was designed for the UK and then adapted for overseas markets.

Redesigning the phone to comply with Scandinavian specifications involved changing several of its tightly packed components. But the designers had to make sure the whole thing still fitted into the compact case.

"Mechanically we wanted to prove that a case top would fit properly before we went to tooling," says Laban Dearden, design services manager. "The concern was the different height of the components across the (printed circuit) boards."

Technophone used solid modelling software to instruct the computer to fit the pieces together. "You can sbnt the phone up on the screen just as if you are closing it on the production line," says Dearden. "If the components are too high, the computer tells you."

Until recently the software to carry out that task would have taken the power of half a mainframe computer. Now 3-D modelling can be done on a workstation, made by companies such as Sun Microsystems, Apollo, Hewlett-Packard or Digital Equipment, with a total hardware and software package costing as little as £15,000. Today's workstations give between three and seven Mips (millions of instructions per second) of computer power.

Depending on the application, 3-D modelling takes up between three and 10 times as much computer power as its 2-D counterpart, estimates Tilman Schad, general manager of Hewlett-Packard's mechanical design division in West Germany. Not only must the lines be drawn in an extra

dimension, involving complicated relationships, but also the computer needs to know whether to show a line, or hide it. When designing a car, a view from underneath would show the four wheels, but if the model were rotated to give a side view, only two would be visible.

Some manufacturers have taken to 3-D modelling because it reduces the number of prototypes. Car makers, for example, would traditionally build up to 20 of them.

Cutting the number of prototypes was one motive behind the decision of Pedrick Yacht Designs, of Newport, Rhode Island, to go for 3-D modelling. The five-person company is designing a 23 m yacht for the next America's Cup race series using solid modelling software from Parametric Technology of Massachusetts. (In the UK, Feranti Infographics sells a system developed with Parametric Technology.)

Parametric has developed its software so that designers can draw the product by describing the relationship between the different lines and then filling in the dimensions later - most software packages rely on the designers putting in the figures as they go along. According to Parametric, defining the shape rather than the size is the way most designers create their

product.

"Before we used computers, we had to resort to a greater degree of scale-model production," says David Pedrick. "We had to draw a shape and then send out to have a model made. Then we had to put it into a towing tank and predict the speed of the yacht. About 75 per cent of that is now done by computer."

He points out, however, that the 3-D system is not a creative beast. "The concept of the yacht is something the designer produces intuitively. But the software enables us to develop the ideas and visualise them. The computer can help identify the trouble spots, but then the designer has to make the decision on what to do about it."

For this reason, many of the software companies making these products are heaving away at incorporating expert systems. These would enable the computer to decide that, say, if factor A and factor B were true, then a certain line of action should be taken.

Meanwhile, just identifying the problems is enough for some companies. In Burton, Derbyshire, Otter Controls, a company which specialises in electric thermostats and cut-out devices for car motors, washing machines and electric kettles, has used solid model-

ling to help it reduce the amount of plastic wasted during manufacture.

Because the model showed both the all-round view and a cross-section of the thermostat on screen, the designers could work out the best way to trim the material and at the same time devise the optimum shape. Minute though the savings are on each thermostat, when you are producing 1m a week, the slivers saved soon add up.

However, some things remain hard to model on screen. Convoluted combinations of curves have proved difficult to represent, and rounding off sharp edges of plastic - a technique called blending - is also tricky.

Some of the advantages of using these systems are intangible in that they affect an organisation's culture. "Companies will really benefit if they can get their design and manufacturing departments to work together," says Ian Braid of Three-Space, a solid modelling development company in Cambridge.

The gap between design and manufacturing is enormous in many companies and the source of many problems. They often have different computer systems, and frequently the data produced in the design department has to be re-inputted into the manufacturing computer.

Braid believes that the best implementations of 3-D modelling are where it has catalysed the pooling of ideas - bringing together people in charge of areas as diverse as materials and marketing, as well as design and manufacture.

Although in the past companies that have relied on 3-D modelling have tended to make large and greasy objects, this is changing. Any complex mechanical object can be designed in this way.

US toy manufacturer Fisher-Price, for example, turned to 3-D modelling to help it design products for that most fickle of consumer markets, the under 10s. Among the system's offspring is the popular Bubble Mower, which blows out bubbles as the tot pushes it over the grass.

An article on the use of 3-D modelling to produce the B-2 stealth bomber appeared on this page on Sept 15.

**Polymer key to gossamer battery**

MANY items of portable technology - the portable computer or the mobile phone - are only as effective as the battery that powers them. For this reason, battery manufacturers around the world are heaving away to develop power sources which are small, light and last a very long time.

The good news is that a material, developed by Moltech, of the US, could eventually lead to such a paragon. It is a solid polymer which, applied as a thin film, would replace the electrolyte - the liquid which leaks out of badly sealed batteries.

The electrolyte enables oxygen to move from the cathode to the anode in the battery, so producing the electric current, which is given off by the anode as it oxidises. The electrolyte itself, and the heavy packaging needed to encase it securely, form much of the weight of ordinary lead acid batteries and inhibit attempts to pack in more power.

Although a few such polymers have already been developed, they usually work only at relatively high temperatures. Moltech has cracked the problem of making one which works at room temperature. The material could be used in anything from consumer batteries to large standby power units.

The bad news is that models using the polymer will not be available until the 1990s.

**Quick copy on film**

HAVE you ever been to a meeting and wanted to copy the information on slides or flipcharts, but not had the time to write it all down?

The answer could be the camcopier, a hybrid of two technologies, the photocopy and the camcorder.

Developed by Chicon Industries in Japan, it is about the size of a portable typewriter and produces A4 copies on coated facsimile paper in 30 seconds, for about 3p each.

The subject to be copied is lined up in the camera viewfinder and the button pressed. The camcopier produces three types of copy - black or white, white on black or half-tones.

ECB (Electronic Copierboard), of Twickenham, is selling the camcorder in the UK for £795.

**Sensing the end of 'up periscope'**

THE NEXT generation of nuclear submarines is unlikely to be fitted with the sub's most famous characteristic - the periscope, writes Lynton McLain.

Instead the vessels will be equipped with opto electronic observation and sensing equipment. Sensors housed in a pod at the top of a short mast are remotely controlled from below.

However, the control room will no longer need to be placed directly below the conning tower or fin of the modern submarine - where traditional periscopes are fitted - giving the submarine designers greater scope for making the hull and fin hydrodynamic.

Nor will the equipment need to penetrate the pressure hull of the vessel, as happens with a conventional 45 ft periscope.

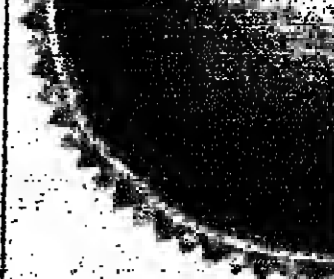
Pilkington Optronics, of Chwyd, has just completed a feasibility study of such a sensing device for the Royal Navy's proposed SSN20 nuclear submarines, for service in the 1990s. It is working with Logica, its London software company, and MacIntyre Scott, the Edinburgh-based mechanical engineers.

Pilkington has proposed integrating all sensors into a single optical electronic device, which would include thermal imaging, high-definition television and the submarine's satellite-based global positioning and navigation system.

**Lifting the factory fumes**

A CATALYTIC converter, for use with gas-powered forklift trucks, could provide a cleaner working environment in warehouses and factories.

The converter, developed by the UK operation of Engelhart, of the US, removes up to 95 per cent of the noxious fumes, including nitrogen oxides. Previous converters for use with light propane gas-powered vehicles reduced the carbon monoxide and hydrocarbons, but were



**WORTH WATCHING**  
 Edited by Della Bradshaw

Ineffective against oxides of nitrogen.

Engelhart has taken a leaf out of the book of the makers of catalysts for petrol-driven engines and combined platinum and rhodium in the new converter, the TWX.

The precious metal catalyst is supported by a ceramic honeycomb encapsulated in a tough stainless steel shell. It can be fitted to vehicles in the factory.

**A warm interest in straw**

ONE of the less glamorous products of the harvest is straw, traditionally used as animal bedding.

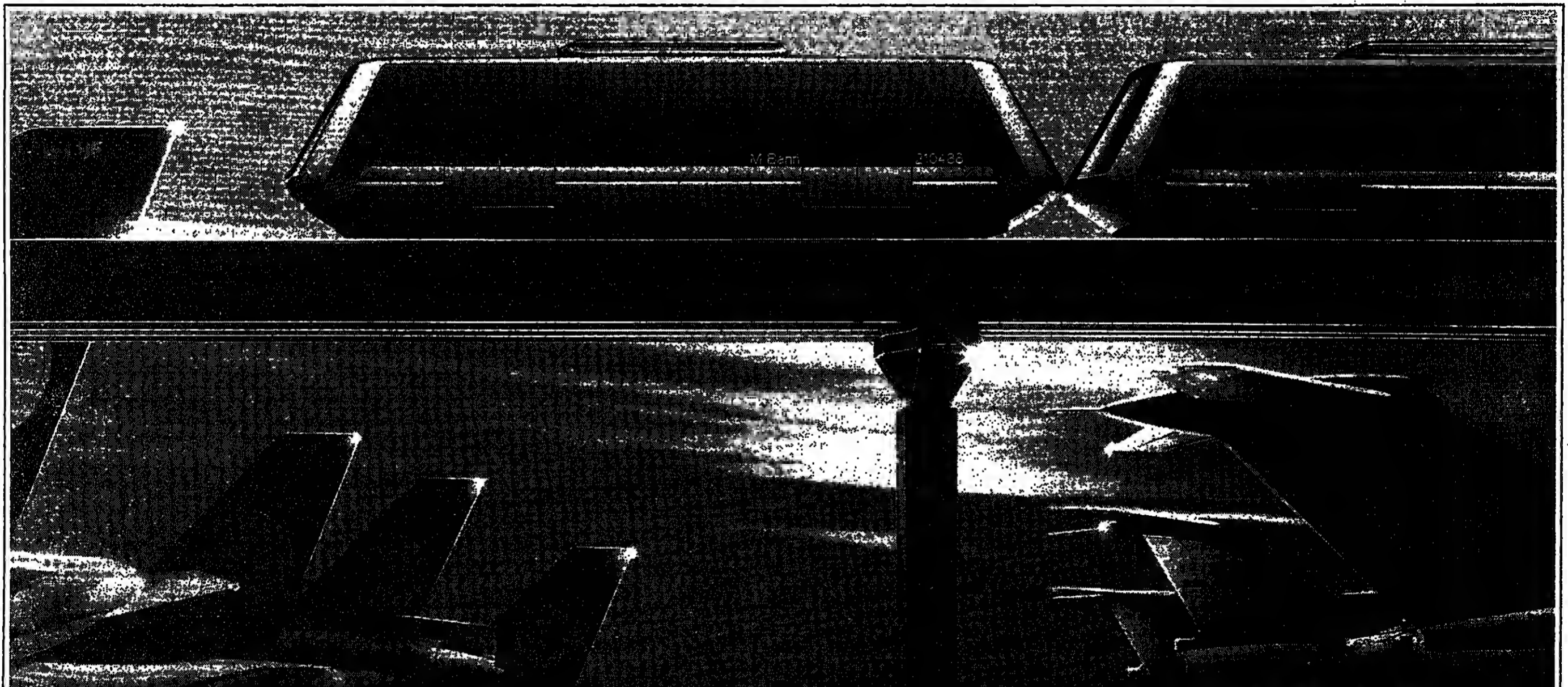
However, one landowner has found a novel use for it. James Holt, of the 3,500-acre Ravenswick estate, in North Yorkshire, is burning straw to provide heating and hot water.

The computer-controlled heating system, designed by Fulcrum Engineering, of London, uses a boiler from Farm 2000, of Redditch, which can also burn wood or waste material. The boiler can handle two bales of straw, of up to 5 ft in diameter, at a time.

The burning straw heats a tank of water, which provides domestic heating and even warms up an outdoor swimming pool. The electronic energy management system keeps a watchful eye on the boiler and heats different parts of the house to different temperatures.

One field of straw should keep the Holt household snug until next year.

CONTACTS: Moltech US, 518 282 4400, Philadelphia, PA 19104; Chicon, Japan, 206 72 5800, SCS, London 744 2121, Engelhart, London 640 3000, Fulcrum, London, 937 0027.



**Frankfurt flies the M-Bahn.**

In future passenger transfer at Frankfurt's Rhine-Main Airport will be friction-free. Literally!

From 1994, AEG's M-Bahn will connect the main and east terminals. Levitated by permanent magnets, the cars of this newly-developed magnetic levitation train system for local traffic actually float along the track. And they're propelled by a linear motor built into the track itself. Control of all movement

is fully automatic. The benefit? A fast, flexible flow of trains. Passengers travel in quiet and comfort, but fast and safely too.

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ARTS



Richard Santhiri and Yasmin Sidwa

Danton's Death

SHAW THEATRE

"Oh sont les neiges, Danton?" cannot possibly be a new line, but it sure isn't Bichner's. Billed as an adaptation, Jatinder Verma's production for Tara Arts takes the skin off the play and proposes a new environment entirely; a re-enactment of scenes from the French Revolution performed by a group of Indian strolling players in London's East India Dock.

These are new immigrants and slaves - former ayahs, lascars, servants - mindful that the present Prime Minister, Pitt, is the grandson of the Pitt who ransacked their homeland. A satanic poet in England, the champion of doubt, is a blood brother of Danton. Robespierre is the absolute revolutionary, the hard-line fundamentalist who takes exception to soft talk and sensuality, despatching his "lago," Saint-Just, to bring the political blasphemer to rough and peremptory justice. The actors explain the birth of theatre, in India, as an intended diversion sabotaged by the instinctive tendency to satirise the commissioning gods.

Somewhere in this light-weight farrago, a battery of ideas is piled up and crying to be heard. But they freeze in performance. I missed Tara's acclaimed transposition of *The Government Inspector* to the post-independence Punjab, but this *Danton* is a crushing disappointment from a company in business for 12 years. The physical movement is a crude and basic mix of traditional Indian and commedia dell'arte, and the third person continuing narrative concept too replete of early Shroveton Experiment, without the joy or panache. Of the six performers, in painted white half-masks, I warmed most to Shelly King as Robespierre and M Murali as Danton. The percussion and wind accompaniment is expertly provided by the exotic

upstage white-turbaned figure of V Chandran.

The connections with the source play become increasingly gratuitous, complexity and poetry replaced by tub-thumping intellectual paralling, although we return to the death cell for the farewells of Danton and Desmoulins and a puzzling, less than razor sharp scene at the guillotine. The show ends up on its bottom between various stalls of Bichner, historical dislocation to late 18th century London, a message about Salman Rushdie, the *Marat/Sade* idea of serfs and inmates goosing the audience with hot metaphor, a response to Timberlake Wertenbaker's *Our Country's Good*. Gail Shaw's promising design of a white canvas tent and playing area hung with dockside ropes and pulleys is transformed to Cleopatra's death throne, where she says farewell not to Antony but to Danton.

That lost me, but everything else suggested that if only Jatinder Verma can somehow translate and expand his undoubted talent as a stubbornly articulate analyst of the absorption by the West of Asian and African cultures (he has argued convincingly that the "not-Europe" of other continents exists today in the midst of Europe itself) into coherent theatrical language, then something very special will take place. That possibility alone makes Tara a significant company, and the ambition behind this *Danton* is tantalising.

After the Shaw (until September 30), the company departs on a tour taking in dates at Bradford, Worcester, Newcastle, Darlington, Bolton, Wolverhampton, Shrewsbury and Derby. The sponsors are Lithosprint Printing Co-operative.

Michael Coveney.

Oh! for some controversy

William Packer on London open exhibitions

The Open Exhibition, that is to say the exhibition chosen by jury from a free submission, is so patently well-meaning that it seems churlish to question it. What can be wrong, after all, in an exercise entered into freely by the artists themselves, that affords the successful the chance to put their work before the public in the company of the peers? It would indeed be churlish, and yet, and yet... The coincidence of two exhibitions, both of them fixtures of the art calendar, brings doubts to the surface now, which is rather bad luck on both of them, for each is perfectly unexceptionable within its own terms.

For the Whitechapel Open (the Whitechapel Gallery E1, until October 28; sponsored by Unilever) the limitations are not of age but of location. All artists, amateur and professional alike, are eligible who live or work in the City or the boroughs of the East End, north and south of the river. The tradition of this local show goes back more than 50 years, but, within the last 20, the remarkable colonisation by artists of the redundant factories and workshops of the East End, has drastically changed its constituency.

It is commonly said that the East End enjoys the highest concentration of so-called professional artists in the world, and it may well be so. The bald fact is that some 1200 of them sent in their work, of which 151 were successful (1:8). The result again is a lively miscellany, this time of sculpture, prints and pots as well as painting, and the overall quality of current preoccupations. As at the ROSL, there is much that is interesting and some things that are positively covetable. The prices in general are more than reasonable. So far so good, and yet that niggle of churlish doubt is still there. What is it quite that these exhibitions, and others like them, are trying to do? And is it worth doing? That doubt, "unacceptable," offers a clue, for it is, perhaps, the very softness and predictability of these exhibitions, and the very lack of anything to which we might take the least exception, that is paradoxically their most disappointing feature.



"Interior With Curtains" by Robin Mason, winner of the first prize of £2,750 at the Royal Over-Seas League exhibition

At Whitechapel in particular, with so many established artists to hand, the lack of major works, or anything genuinely surprising or even mildly controversial, is itself the big surprise.

Perhaps those artists did not send in, and all open exhibitions can only be the creature of their submission. Perhaps precedence was given to the younger artists or the less well known. Perhaps the decision was taken to cover as broad a spectrum as possible.

The practice of open submission is not itself the problem, though one could well tinker away with it in detail. Fewer artists might be chosen, for example, and then invited to supplement their entry. And there might be more such encouragements reserved for the young, who have enough going for them as it is. But the essential plea is for something more positive: for a show with some form and purpose.

Opera Northern Ireland

GRAND OPERA HOUSE, BELFAST

The annual short season - two productions and a total of seven performances only - this year offers *Faust* and *Don Giovanni*. Both works have already been given here in recent times (the number and type of Northern Ireland opera devotees don't yet encourage much venturing off the beaten path in the matter of repertory).

The results show that in opera there are no rules, and no certain prophecies. *Faust* is done with freshness, energy, and intelligence - the choice of text is interesting (comprising a strong-minded attempt to get ever closer toward an unadulterated version of Gounod's *opera-comique*), the crisp economical production style no less so. *Don Giovanni*, alas, is a thud.

For *Faust* the conductor (Stephen Barlow) and producer (Hilary Hebert) are evidently agreed on matching ideas of style and content, since the musical performance has a weight and character that expertly chimes with the dramatic. Already at the Coliseum we have delighted in Edmund Tracey's reconstruction of the work with spoken dialogue. Here, the original language is essayed (capably so, on the whole, with surtitles and, far more helpful, a stiffening of two French natives to spur the audience along), and a version pruned of several later accretions shows even more clearly how naturally well suited Gounod was to the less ponderous forms of lyric theatre.

It's not yet possible to reconstruct an *Or-Faust*, and won't be until the Gounod heirs release the manuscript. The general move away from Grand Opera grandeur has already brought about the work's rejuvenation, and this production marks a happy stage in the process.

Max Loppert

Boys Mean Business

BUSH THEATRE

Catherine Johnson's new play, her second, is set on the beach at Weston-super-Mare, at a curved indent on the seaside promenade. The beer cans, cigarette stubs and general filth, such a feature of our holiday resorts and inner cities, are mostly the work of a throw-back punk, Will, who sleeps in his bathhouse and emerges for a day's work in a pink furry animal costume.

Will drums up trade while brother Gary takes the snaps. These two, and Gary's wife, Natalie (Addie Allen), formed a 1970s band that once played in support of Siouxsie and the Banshees and the Boom Town Rats. Bob Geldof has moved on to save the world and mix with royalty, while Gary, who has just come out of the Army, and Natalie, pregnant for the second time, are merely struggling to make ends meet; Will has simply stayed where he was.

The play, written with great assurance and a penetrating wit, evolves around the arrival that day of the massive Radio One Road Show in Weston, and Will's attempt to revive old glory by launching his new solo group, Boys Mean Business, in the live talent contest. Simultaneously, Gary's fate is drawing to a head on two counts: his affair with the poutingly lubricious schoolgirl baby-sitter, Dawn (Melissa Wilson) and his petty criminal involvement with a sidewalk stooge, Elvie (Richard Graham), who is paying Gary £200 to stash in his wooden bath a cactus plant securing £50,000 worth of cocaine.

Brian Stirner's enjoyable production keeps the ebb and flow of acrobacy and revelation going very well until the last quarter of an hour, when the limitations of what is essentially a neat little television play are revealed. Too much happens too quickly and the climactic turmoil give way to long-term, rather soft, resolutions.

Celebrating Sondheim

FESTIVAL HALL

Writing about Sondheim on this page is fraught with danger: "demons," in the shape of Coveney and Hoyle, "are prowling everywhere." Luckily, or not as the case may be, the problem scarcely arises in the context of Sunday evening's concert at the Royal Festival Hall, which was rather a celebration of the art of the "arranger."

At the opening Ned Sherrin, the amiable composer (some good Sky TV jokes, and one about Trevor Nunn that I didn't quite understand), proudly introduced the 64-strong BBC Radio Orchestra. Now 64 is not the number one would expect to find in a conventional theatre pit, nor would the sort of singer capable of delivering a Sondheim song with point and wit expect to have to compete with four horns, four trumpets and five all I know 78 trombones in addition to a healthy complement of singing strings.

The arrangements needed to give this outside band something to do took the music light years away from the very special space and settings that Sondheim and his regular collaborators devise between them; that for "Not while I'm around" was peculiarly vile, and in general the seven soloists had to compete with a vulgar, generalised and all-purpose big-band sound. Only the numbers from "Sunday in the Park with George" were relatively unscathed.

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ARTS GUIDE

- Opera and Ballet: London: Royal Opera, Covent Garden. The season opens with *Amleto*. The understated Nuria Espert production first shown last year. The cast includes: Luciano Pavarotti, Leontina Price, Jerry Hadley, and the conductor is Sir Edward. English National Opera, Coliseum. The first new production of the ENO season is *A Masked Ball*, by the team (producer David Alden, designer David Fielding, conductor Mark Elder) responsible for the company's controversial *Simon Boccanegra*. Arthur Davies, Junior Collins, Jonathan Summers and Linda Finkle take the leading roles. Further performances of the unevenly sung revivals which opened the season: *The Magic Flute*, conducted by Lothar Zagrosek, with Thomas Kandle, Kathryn Pope, Alan Ove and Jonathan Miller; *King Lear*, a new production with a cast led by James Martin (Lear), Carol Mahony (Margaret), Spas Wenkoff (Gloucester), Jan Hendrik Rottorf (Edmund) and Gerd Feldhoff (Garrus), conducted by Horst Stein. The same Flute has the international *Lucy Beaumont* production with a cast led by Elizabeth Svanholm as Nannetta and Lucia Haddad as Mrs Quickly. Staged by Luis Pasquel (Sun, Tues).

- Bonn: The new *Aida* production, by Jacques Kappas brings Rosalind Wiseman, Lavinia Burrows, Hartmann together and is expertly conducted by Bonn's music director Dennis Russell Davies. Frankfurt: Written in *Ein Sommernachtstraum* in respectability with singers Jürgen Kowalki, Audrey Mitchell, David Bennett, Vladimir deKamel, György Benza repeats her much praised performance as *Bibi* in *La Bohème*. Cologne: The rarely played one act opera by Rossini *La Cenerentola* (*Mariolina*) *Il Signor Bruschino*, featuring David Kuebler, John del Carlo, Teresa Rinaldi, Janice Hall and Alberto Rinaldi. New York: New York City Opera. The mixed repertory resumes this week with *The Barber of Seville* conducted by Scott Brumpton in Lilli Blum's production with Elizabeth Hynes and Walter MacNeil. *Il Barbiere di Siviglia* is conducted by Brian Coombes as well as *Madama Butterfly*, Lincoln Center, New York State (977 4700). Washington: Kurosawa's *Kabuki*. Traditional *kabuki* combined with modern technique is the hallmark of the company, now led by the descendant of its original founder. Emily Sept 21. Kennedy Centre Opera House (254 3700).

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LETTERS

Designed to encourage a 'European' culture

From Mr Eric Salama. Sir, in attacking the proposed European Community directive on broadcasting...

together after the war, rather than a wish to create an economic superpower or a free trade area...

cheap and awful "quota quickies" as the way of artificially raising the number of UK productions...

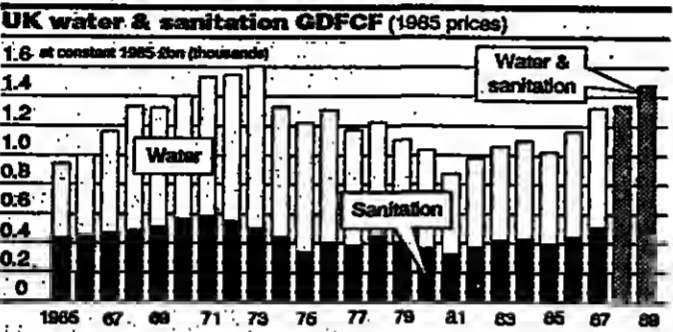
All are primarily symbolic acts designed to encourage the promotion of a European culture...

Money wins in sport

From Mr M.D. Varcoe-Cocks. Sir, Michael Thompson-Noel (September 13) rightly praises the BBC's presentation of sport on television...

This holds no water

From Mr John Wells. Sir, in stating that "investment in the water industry fell by half during the final term of office of the last Labour administration..."

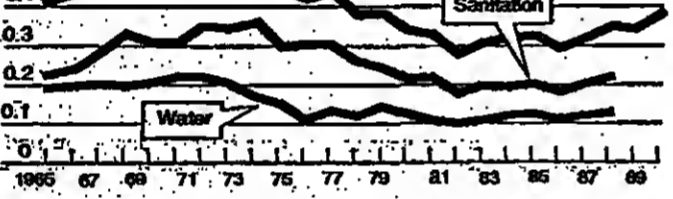


UK water & sanitation GDFCF (1985 prices). 1.8 at constant 1985 £m (thousands)

Your readers must judge for themselves whether Messrs Hamilton and Ridley have correctly described the situation...

Certainly the record of the present Government is nothing to write home about...

In fact, what is so striking about the water industry is how exceptionally depressed investment has been over such a long period of time...



UK water & sanitation GDFCF as percent of GDP. 0.6 at constant 1985 prices

However, pace Mr Bryan Gould's warnings to potential investors (September 14), if, under a future Labour government, the water industry will be expected to invest more...

Statistical note for the years 1965-1987: GDFCF in the Water Supply Industry (Blue Book series DFFM) plus in Sanitary Services (DFQC) at current £m, deflated by implicit deflator for "public corporations: other new buildings & works" (DEES/DEEK)...

Credit calculated

From Mr D. Richards. Sir, Mr Spencer (Letters, September 13) complains that British Telecom sends its regular letters for payment of telephone bills after only 21 days...

Making sense of energy

From Mr Alan Meier. Sir, BP's September 7 advertisement illustrates more of the energy dilemmas than BP imagined. In this advertisement BP describes how its solar modules permitted an African schoolboy to study late into the night...

Politics in Indonesia

From Miss Carmel Budiardjo. Sir, Your correspondent in Jakarta, surveying Indonesian foreign policy since the downfall of Sukarno and judging the chances of President Suharto's latest bid to win chairmanship of the Non-Aligned Movement...

Asleep in the Garden for 100 years

From Mr Paul Findlay. Sir, With reference to the final paragraph of Andrew Clark's interesting review of Haley's La Juive at Bielefeld (FT Arts page, September 15), your readers may be interested to know that during the past year the Royal Opera has been planning a production of Haley's La Juive...

Credits could accumulate over a working life

From Mr J.D. Maiden. Sir, Following your article on training for and in industry (August 29), could I make a few observations on national vocational qualifications from the standpoint of the Construction Industry Training Board...

Sound of discord

From Mr John Gardner. Sir, Crescendo is an Italian gerund meaning getting louder - more literally, "growing". Therefore one does not, with any literary elegance, build to it. If you will use a musical metaphor (FT leader, September 16), say "build to a fortissimo" (a very loud sound)...

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FOREIGN AFFAIRS Why Europe may become a region

The West cannot afford to wait and see in eastern Europe, argues Edward Mortimer

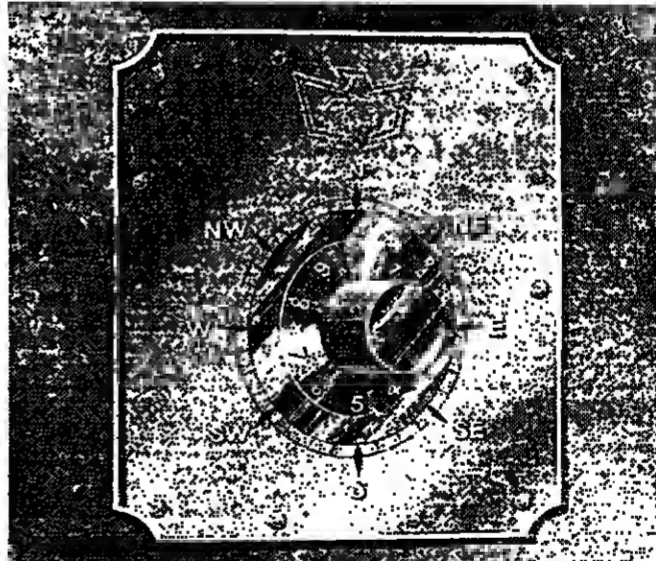
Having correctly identified 1988 back in January as "the year of eastern Europe," I am not quite sure how I came to put myself down once again for the "regional conflict" committee...

and the Hungarians are not waiting, to see what happens next. Having seen that the prison guard has relaxed his vigilance, they are making a dash for freedom...

A Soviet government preoccupied with restoring order at home may wish to avoid international crisis

so far. This scenario, accepted as plausible in the existing discussion, was generally treated as the most dangerous of all. If anyone thought it a consummation devoutly to be wished they kept the thought to themselves...

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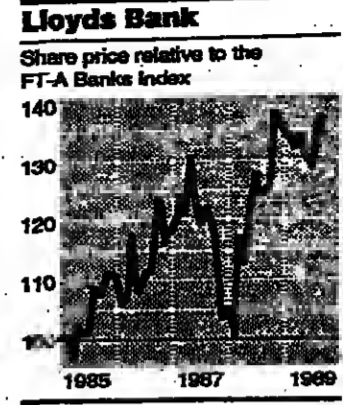
Tuesday September 19 1989



THE LEX COLUMN

Lloyds closes its US account

It may not be huge when measured against the \$3.4bn price the market puts on Lloyds Bank, but the \$200m deal with Daiwa Bank allowing the UK clearer to make a graceful exit from the US banking industry is welcome.



strong US economic data suggested rather that policy has to stay tight for a while yet. In the absence of any real movement in US short rates yesterday, the suspicion is that the market is using the much-publicised difficulties of Cameroon as an excuse for a rest.

Inchcape

Given that Inchcape's share price relative to the FT-All Share has already doubled since mid-1986, and allowing for snags such as the doubts raised by Flanagan Square about the trading group's Hong Kong exposure, it is hard to see the stock has much further to run.

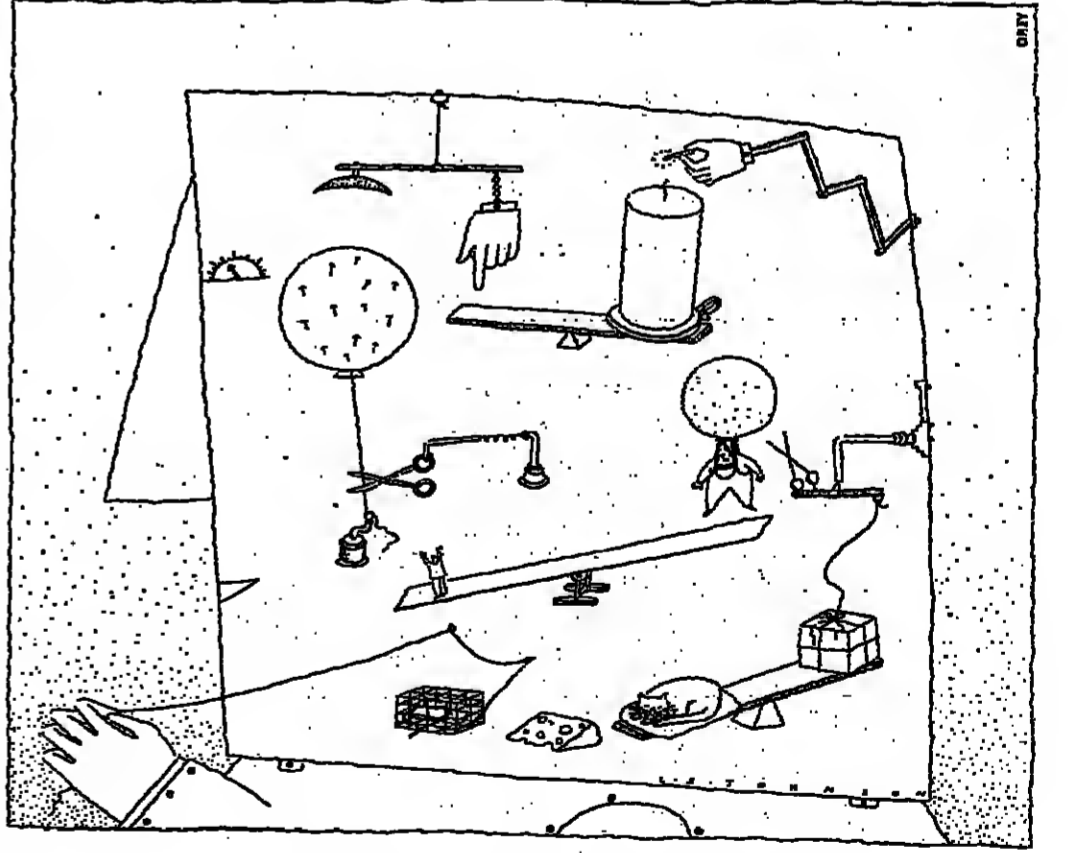
Dalgety

Appropriately enough for the makers of Winalot, yesterday's figures from Dalgety were a bit of a dog's breakfast. At first sight the profits growth was adequate, in the light of the egg scare, but the company also benefited from a \$4m post-fire insurance profit and a \$7m turnaround in an Australian property subsidiary above the line.

Dollar

The dollar's jumpy behaviour yesterday seems partly to reflect a genuine divergence of view on the two sides of the Atlantic. London tends to the view that the strength which last Friday took the currency briefly back through DM2.00 is sustainable.

OUR MIND IS ALWAYS OPEN TO NEW IDEAS.



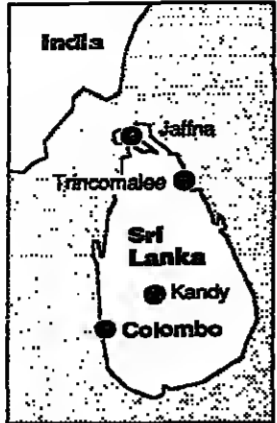
We believe that to solve the most intricate and difficult financial problems you've got to have a generous dash of inventiveness, flair and flexibility. This is a quality our clients both at home and abroad clearly appreciate.

SIGNIFICANT FOREIGN POLICY FAILURE FOR REGION'S MAJOR POWER

Indians agree to withdraw from Sri Lanka

By David Housego in New Delhi

INDIA yesterday agreed to withdraw its remaining 42,000 troops from Sri Lanka by the end of this year, bringing to an end, at least for the time being, an unsuccessful two-year attempt to end the ethnic strife which continues to tear the island apart.



- 1948: Independence from Britain
1956: Sinhalese-only language policy
1970: Liberation Tigers of Tamil Eelam founded
1971: Army massacres 10,000 after failed coup
1987 May: Offensive launched against Tamils
1987 July: Rajiv Gandhi signs peace accord with President Jayewardene
1988: Mr Ranasinghe Premadasa elected president, promising to force Indian troops out
1989 July: India ignores Sri Lankan deadline to withdraw
1989 Sept 18: Indian troops withdrawal announced

patrols by Indian troops would continue and that they would retaliate if fired on by the Tigers.

The agreement ends a four-month acrimonious dispute between the two governments that began with President Premadasa's public call for the Indians to be out by the end of July.

After more than two years of fighting in Sri Lanka and the loss of 1,000 men, India has abandoned its original objective of disarming the Tigers. Although the joint communiqué signed yesterday speaks of both sides ensuring the security and safety of the Tamil population in the north, the rival Tamil factions in the region are busily acquiring fresh arms in the expectation of a further conflict.

Under the agreement, a peace committee is to be established tomorrow in an effort to reconcile the various groups and to see how the Tigers can be drawn into an adminis-

The Sri Lankan Government of President Ranasinghe Premadasa failed to enforce a withdrawal deadline of July 29 and indeed has not managed to advance the Indians' own timetable for leaving. He must now deliver both a secure future for the minority Tamils and an end to the ruthless violence of the JVP, an extremist national-

ist group of the majority Sinhalese population which has campaigned against Indian 'hegemony'.

The risk now is that the JVP movement will denounce the agreement as paving the way for a separate Tamil state in the north under the Tamil Tigers, the main guerrilla

Mandela's release may be imminent says minister

By Patti Waldmeir in Johannesburg

MR NELSON MANDELA, the imprisoned leader of the African National Congress, could be released within weeks, according to a senior minister in the new South African Cabinet.

Mr Gerrit Viljoen, who was appointed as Minister of Constitutional Development at the weekend, said in an interview on the BBC yesterday that the release of Mr Mandela and other prisoners convicted of security offences "is a matter very high on the agenda of the Government."

Asked if the release could take place within weeks, he replied "I think it could."

Mr Viljoen's main task is to encourage black leaders to negotiate with Pretoria over a new constitution which would allow black participation at national level. He is a close political ally of President F.W. de Klerk, and could be expected to play an important role in determining the timing of Mr Mandela's release.

South African ministers have repeatedly stressed their preoccupation with the release of Mr Mandela in recent months. Mr Viljoen's statement gave the clearest indication yet of a possible timetable for the release.

However, Mr Mandela, who has been in prison for more than 25 years, is known to have insisted that certain preconditions be met by Pretoria before he would agree to leave his prison bungalow outside Paarl.

He has refused to accept a release which did not include fellow political prisoners jailed after the 1964 Rivonia treason trial.

Mr Viljoen's oblique reference in the interview to "other prisoners convicted of security offences" could suggest Government flexibility.

And Mr Viljoen made it clear again that Pretoria has dropped its previous insistence that Mr Mandela renounce violence.

Mr Mandela had "expressed himself in terms which clearly indicate his preference for a peaceful negotiated solution," Mr Viljoen said, hinting that this would be acceptable to the Government.

But Archbishop Desmond Tutu, speaking in a separate television appearance, insisted that lifting the three-year state of emergency be a condition of Mr Mandela's release.

Correction DOW JONES

The Wall Street column on this page yesterday inaccurately referred to the Dow Jones Industrial Average. The Average is a product of Dow Jones and Company and not of the New York Stock Exchange.



THOUSANDS of striking Peugeot workers from Mulhouse in north-eastern France jam the Champs Elysees on their way to besiege the carmaker's Paris headquarters yesterday. The demonstration passed peacefully, writes William Dawkins from Paris, but nevertheless heightened fears that the two-week-old wage dispute could spark off wider dissent among French unions.

Hemmed in by police barriers, the demonstrators bore placards calling for the resignation of Mr Jacques Calvet, Peugeot's chairman, who has refused direct negotiations. Mr Claude Berger, personnel director, received a small dele-

gation but repeated that the general management did not intend to start talks. Production at Mulhouse, the main plant making the Peugeot 205, was running at around half normal levels yesterday, while the nearby Sochaux plant was working at 20 per cent of its usual capacity, an improvement on the near standstill reached at the end of last week, according to Peugeot management. Meanwhile, another wage dispute flared up yesterday at Mercedes-Benz France at Molsheim, a finishing plant near both the strike-hit Peugeot assembly lines, seriously affecting output. Bomb in the post for unions, Page 3

France suggests a trigger point for Brussels to vet big mergers

By David Buchan and Richard Lambert in Brussels

FRANCE yesterday embarked on the difficult task of trying to reconcile the differing viewpoints of large and small European Community states around its compromise proposals for Commission vetting of large mergers.

Anxious to move the policy forward during its current presidency of the EC, France proposed raising the threshold level at which cross-border mergers would automatically come under Commission scrutiny. It proposed a trigger point of a combined worldwide turnover of more than Ecu5bn (\$5.25bn) with lesser mergers remaining under national scrutiny.

This compares with a Ecu10bn threshold sought originally by London and Bonn and a Ecu5bn trigger point for EC scrutiny last proposed by the Commission and still supported by the smaller states.

Italy and the smaller states, however - with little in the way of national competition policies of their own and which are therefore looking to an EC agreement - complained that such an increase in the threshold level would emasculate the merger control plan.

The other key disagreement which Mrs Edith Cresson, France's European Affairs Minister, tried to resolve yesterday in hours of bilateral talks with individual industry ministers of the other 11 EC states, centred on how clear a division

there should be between Community and national merger control.

West Germany insisted that even if the Commission was to give the green light to a merger above the Ecu5bn level, West Germany's anti-cartel authorities should still have the right to examine the effect of the deal on its domestic market.

Mr Helmut Haussmann, West German Economics Minister, had to leave yesterday's meeting early, leaving on the table a demand which is flatly unacceptable to the Commission. Most other EC states want some right of national review of mergers where, for example, defence or regional and social factors are involved. The Commission has said this is acceptable, provided such instances are clearly defined and limited.

Nonetheless, Mr Haussmann said he still believed it was possible that a merger control agreement could be reached by December, as France still hopes.

The major advance yesterday was Britain's agreement to the Ecu5bn threshold, provided that it was indexed to Community economic growth and that Brussels would judge mergers on competitive grounds alone.

The latter condition is also demanded by Bonn. A related sticking point is the Commission's insistence that after an initial trial period

the threshold for merger vetting by Brussels should come down to Ecu2bn. Mr John Redwood, Junior UK Industry Minister, did not flatly rule out such a reduction, but said: "Let's see how the initial threshold works out, and no prejudice at this stage any change."

According to Commission estimates, between 50 and 60 mergers a year would be caught in Brussels' scrutiny net by the Ecu5bn threshold, compared with about double that number if the trigger point was set at Ecu2bn.

While striving for compromise, France itself has thrown up a potential obstacle to early agreement by making a last-minute proposal to require reciprocity from third countries. French officials explained that any simplification of overlapping EC-national merger controls amounted to a loosening of competition policy by easing the task of foreign bidders in the Community. Therefore, Paris argued, the Commission should have the power to negotiate a dismantling of barriers facing EC companies making takeovers in foreign markets.

This proposal met strong objections from Britain and West Germany although yesterday's negotiations focused more on the contentious points which have lain longer on the table.

Hungary restores full links with Israel

By Judy Dempsey in Budapest and our Jerusalem Correspondent

MR Yitzhak Shamir, Israel's Prime Minister, voiced the hope yesterday that his country could upgrade its ties with Hungary to a more manageable mouthful for a bolder, perhaps when over-exposure to some future downturn in the UK banking market has depressed its market rating, that is not something for shareholders to complain about.

The surprise agreement to exchange ambassadors, signed in Budapest by the Hungarian and Israeli Foreign Ministers, followed years of soundings by Israeli diplomats aimed at ending a rupture in ties with Moscow and its allies dating back to the 1967 Six Day War. Mr Shamir, who has visited Hungary twice in the past 12 months, praised the "courageous and daring" decision by Budapest to reverse the 1967 position, which was also taken by the Soviet Union, Czechoslovakia, Bulgaria and Poland.

The Israeli minister said: "I would like to express my hope that this achievement will constitute a breakthrough to Eastern Europe and that more agreements with Eastern Europe will follow this one."

Mr Gyula Horn, Hungarian Foreign Minister, in a recent interview with the Financial Times said the decision to break relations with Israel had been a "great mistake". He commented that the resumption of full ties with Israel would not impair relations with Arab countries, adding: "After all, certain of those countries, including Egypt now have relations with Israel."

Observers said Poland, which like Hungary, has had limited dealings with Israel through "interest offices" for the past two years, was the most likely Warsaw Pact country to follow Budapest.

While no early breakthrough was expected in the more sensitive relationship between the Soviet Union and Israel, diplomats noted that contacts have intensified this year, with the signing of trade, health and cultural agreements, and Moscow's acceptance of Israeli aid after the Armenian earthquake.

The Soviet Union's Bolshevik Ballet is currently playing Israel, and the two countries have had "consular" contacts - nominally over Russian Orthodox Church property in Israel - since 1967.

The upgrading of Hungarian-Israeli ties comes at a time when Hungary's 80,000-strong Jewish community is slowly regaining its identity after years of silence in the period since the Second World War, during which 600,000 Hungarian Jews were sent to concentration camps. Of those who survived, some emigrated to Israel, where today there are 300,000 Jews of Hungarian origin.

WORLD WEATHER

Table with columns for location, temperature, and other weather data. Includes cities like Moscow, London, Tokyo, and Sydney.

BNL Rome may have known of credits

Continued from Page 1 last February by Danieli, an Italian maker of steel mini-mills, for the confirmation of a \$70m letter of credit issued by the Iraqi central bank was confirmed by BNL's Atlanta branch.

A statement last Thursday in parliament by Mr Guido Carli, Italy's Treasury Minister, that "notwithstanding the falsifications perpetrated by Atlanta) these irregular operations left traces in the official accounts that should not have escaped the attention of the internal controls" of

BNL's Rome headquarters. A claim last week by the Iraqi embassy in London that BNL's Atlanta branch did in fact have authority from Rome for the Iraqi loan agreements.

Mr Longo, repeating the views already expressed by Mr Carli and the Bank of Italy, said the BNL Iraq scandal demonstrated "the serious inadequacy of internal controls and the lack of administrative efficiency at the bank." He said the bank's central management structure was in urgent need of a reorganisation.

Commenting on the discovery that at least some funds travelled from BNL Atlanta to the Iraqi central bank and back to BNL in Italy, the BNL board director said this was "the maximum kind of damage and self-ridicule for the bank."

"If you lend money to the Iraqi central bank from Atlanta and it comes back to your own bank in Italy then you are lending to yourself," Mr Longo said. He did not know if the money that came back to BNL in Italy was used for payments to Italian or non-Italian companies.



INTERNATIONAL COMPANIES AND FINANCE

Amro Belgian merger still possible

By Laura Raun and Tim Dickson in Amsterdam

AMSTERDAM. ROTTERDAM Bank of the Netherlands and Belgium's Générale de Banque yesterday scaled back their ambitious plan to create a fully integrated, international banking group to meet the challenge of Europe's single market.

But they promised to continue their co-operation in certain areas, and left open the possibility of "total or partial integration at a later date in the light of the market conditions and insights prevailing at the time."

Under the new agreement the banks have specifically stated that "whenever possible and acceptable," business between them will be promoted by means of preferential rights or priority treatment.

Both Mr Roelof Naliesen, chairman of Amro, and Mr Paul-Emmanuel Janssen, Générale's chairman, noted that they would be "free to follow their own routes in pursuing their strategic objectives."

Hitachi and Comparex end talks on Europe deal

By Alan Cane

NEGOTIATIONS between Hitachi of Japan and Comparex of West Germany over the sale of the European operations of National Advanced Systems (NAS) to Comcompare, a supplier of large computer systems, have finally been abandoned.

RTZ seeks high price for speciality chemicals arm

Peter Marsh on Rhône-Poulenc's likely purchase

THE likely takeover by France's Rhône-Poulenc of RTZ's speciality chemicals division, details of which may be announced within the next few days, fits in with several trends in the world chemicals industry.

Observers believe a tie between Rhône-Poulenc and the chemicals division of the British minerals and industrial group makes sense from the viewpoint of both parties.

RHÔNE-POULENC'S PRODUCT PROFILE table with columns for 1987 and 1988, rows for AgriChemicals, Fertilisers, Chemicals, Textiles, Others.

The RTZ division is involved in a large range of disparate areas of chemicals, including water-treatment chemicals, thickeners for paints and surfactants for shampoos and other personal care products.

The RTZ division is involved in a large range of disparate areas of chemicals, including water-treatment chemicals, thickeners for paints and surfactants for shampoos and other personal care products.

First Pennsylvania agrees CoreStates takeover bid

By Frederick Oram in New York

FIRST PENNSYLVANIA agreed yesterday to be acquired by CoreStates Financial for \$730m, apparently ending a long, drawn-out fight for the banking group.

The \$18.75-a-share deal between two of Philadelphia's leading financial groups topped an earlier \$18-a-share offer from Meridian Bancorp of Reading, Pennsylvania.

Venezuelan oil company at \$1.02bn in first half

By Joe Mann in Caracas

PETROLEOS de Venezuela (PDVSA), Venezuela's national oil company, reported a profit of US\$1.02bn for the first half of 1989 on total revenues of \$1.2bn.

Crude oil production potential in June was 2.58m barrels per day (b/d) and will rise to 2.8m b/d by year-end, the company said.

Airlines discuss reservations link

DELTA AIR LINES, Northwest Airlines, and Trans World Airlines Inc. said they are discussing the establishment of a jointly owned, independently operated, central computer reservations system for travel agents, AP-DJ reports.

Investment sales boost IEP

By Terry Hall in Wellington

BRIERLEY INVESTMENTS' 50 per cent owned international subsidiary Industrial Equity Pacific (IEP) yesterday reported a 99.3 per cent lift in tax-paid profits to HK\$1.53bn (\$196m).

not least because the timing and circumstances of such sales were beyond their control. They say that the company's prime objective is to be an active long-term investor in suitable companies rather than a trader of shares.

The British subsidiary Tozer Kemsley and Milbourne "continued to go from strength to strength" and had recently acquired the Subaru agency in Australia, part of a global expansion strategy.

Compex said there were three principal reasons why the deal had been abandoned. First, although the price of \$200m was already considered high, the US tax authorities were claiming \$100m in capital gains tax which neither Hitachi nor Compex were prepared to pay.

Harbert to acquire Birmingham Steel

BIRMINGHAM STEEL, the US mini-mill group, has agreed to be acquired by privately-held Harbert for \$37m or \$60 per share, agencies report.

Swisse affiliate, to solicit other prospective purchasers and provide them with the same information provided to Harbert.

It said under the merger agreement, it would reimburse Harbert for up to \$9m in expenses if the agreement were terminated due to receipt of a better offer.

Harbert, also based in Birmingham, is a closely held company engaged in construction, real estate and natural resource development.

ASETCO LIMITED (Anglo-Soviet Engineering and Trading Company) US \$327,961,403 Limited Recourse Eurocurrency Facility. the modernisation of the petrochemical plant at Budyennovsk, USSR supported by the Ministry for Chemical Industry of the USSR. Arranged by Morgan Grenfell & Co. Limited with the project finance guarantee of the Export Credits Guarantee Department. Provided by The Bank for Foreign Economic Affairs of the USSR, Arab Banking Corporation (ABC), Kansallis Banking Group, National Westminster Bank PLC, Westpac Banking Corporation, Banque Nationale de Paris p.l.c., Société Générale (London Branch), CIC-Union Européenne, International et Cie (London Branch), Morgan Grenfell & Co. Limited, Legal Advisers Norton Rose.

société nationale elf aquitaine. ELF AQUITAINE ANNOUNCES RESULTS FOR THE FIRST HALF OF 1989. PARIS, September 5, 1989 - Consolidated results for Elf Aquitaine for the first half of 1989, show strong growth compared to the same period last year. Table with columns for Sales, Funds generated from operations (after expensing exploration costs), Consolidated net income (Group interest), Earnings per share (in Francs). Includes text on Refining and Marketing, Chemicals, Pharmaceuticals, Bio-activities and Beauty Products, and Holding Company, Finance, Trading.

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**Merrill Lynch Capital Markets**

**IOPTEx Research Inc**

has been acquired by

**Smith & Nephew plc**

We acted as financial advisor to IOPTEx Research Inc in this transaction and assisted in the negotiations.

**Merrill Lynch Capital Markets**

**Schering-Plough Corporation**

has sold its wholly-owned subsidiaries

**Rimmel International Ltd.**

and

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to

**Unilever PLC**

We acted as financial advisor to Schering-Plough Corporation in this transaction and assisted in the negotiations.

**Merrill Lynch Capital Markets**

**STET—Società Finanziaria  
Telefonica p.a.**

and

**American Telephone and  
Telegraph Company**

have agreed to exchange 20% of the shares of their subsidiaries ITALTEL—Società Italiana Telecomunicazioni s.p.a. and AT&T Network Systems International

We acted as financial advisor to STET—Società Finanziaria Telefonica p.a. in this transaction and assisted in the negotiations.

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SEPTEMBER 1989

**THE INTERNATIONAL DRINKS INDUSTRY**

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**FINANCIAL TIMES**  
EUROPE'S BUSINESS NEWSPAPER

**INTERNATIONAL COMPANIES AND FINANCE**

**Lloyds trims its US operations**

David Lascelles on why a UK bank is shifting its focus of strategy

Lloyds Bank's sale of its US commercial banking business is an indication of how selective the smallest of the UK's Big Four clearing banks has become.

The business represents only one third of Lloyds' operations in the US. But it is in a segment of the market which fails to meet its profit criteria, and adds little to the group as a whole.

So Lloyds decided the capital supporting it — about £20m — could be better deployed elsewhere.

The segment covers companies with annual turnover of \$1m to \$130m, which Lloyds was serving with 15 branches and loan production offices scattered around the country, and administered from a centre in Chicago.

According to Mr Michael Thompson, Lloyds deputy group chief executive, it was earning an after-tax return of

11 to 13 per cent on capital, which was well below the 17 per cent cost of capital which is Lloyds' rule of thumb.

These returns look low by the banking convention which says that the further down the market banks go, the larger the returns become.

But when banks operate in foreign markets they usually find that higher returns are also offset by higher risks.

Mr Thompson claimed that Lloyds' returns were "par for the course." Certainly, they were sufficient to tempt Daiwa Bank into a deal.

But the return was also well below the 18 per cent which Lloyds obtains on its dealings with large multinational corporate clients in the US, and which it will keep as part of its global banking business.

The deal marks a further retreat by Lloyds from the US



Michael Thompson: UK side of Daiwa International

market, where it sold out of the California retail banking business in 1986 after 10 years, and where most UK banks have retrenched after suffering losses. It also strengthens the possibility that Lloyds will sell

out of Canada as well. In late 1986 Lloyds bought a 53-branch bank there which had been rescued from severe loan losses. But the operation has never worked well, and made a loss last year.

The latest sale will bring to £200m the total capital which Lloyds has freed up since it embarked on its course of selective divestitures three years ago.

The bulk of this has been reinvested in the group's UK operations where the returns are much higher, and where it is diversifying into new areas like life insurance and estate agency. According to Mr Thompson, UK business has consistently earned twice the returns of international business over the past 20 years. The focus of Lloyds' strategy has now shifted from geographical markets to business segments, he said.

**Daiwa takes on the Japanese giants**

Stefan Wagstyl on the Tokyo bank's international expansion move

Daiwa Bank intends to show that a Japanese bank does not have to be big to be international.

Its planned \$200m acquisition of the US commercial banking operations of Lloyds Bank, announced yesterday, is the most significant step Daiwa has taken to put its theory into practice.

Its arguments fly in the face of the accepted wisdom in the Tokyo banking community. The recent disclosure of the proposed merger between Mitsui Bank, the sixth largest Japanese commercial bank, and Taiyō Kobe Bank, the eighth biggest, was accompanied by the claim that big is best in international banking.

"One plus one doesn't equal two — it equals three or four," said Mr Kenichi Snematsu, president of Mitsui Bank.

The two banks argued that only by pooling their resources could they hope to compete with the giants of Japanese banking, led by Dai-ichi Kangyo Bank and Sumitomo Bank.

Nevertheless, there are good reasons for thinking that Daiwa, the 10th biggest bank in terms of assets, may be right. Jardine Fleming Securities, the stockbroker, says in a report that Daiwa is the best equipped of the smaller Japanese commercial banks "to compete directly with the larger city [commercial] banks in overseas financial markets."

Daiwa's first important overseas acquisition was the \$60m purchase last year of nine Hong Kong branches from Rainier National Bank of the US.

However, this is dwarfed by the acquisition of 15 branches and offices, plus a \$3.2bn portfolio of assets from Lloyds. Daiwa already has three offices in the US and \$3.5bn in assets.

But like other Japanese banks it wants to diversify from wholesale lending and treasury operations, and from relying heavily on American subsidiaries of Japanese companies.

Instead it wants to penetrate the US corporate market, particularly in lending to medium-sized companies where margins are higher than with the largest borrowers.

The same rationale lies behind the proposed acquisition by Dai-ichi Kangyo, Japan's biggest bank, for \$1.5bn of 60 per cent of CIT

Group, a leasing subsidiary of Manufacturers Hanover, the US bank.

That deal, announced last week but still under discussion, would follow similar purchases of leasing companies made by Fuji Bank, Sanwa Bank and Tokai Bank, among others. Echoing other bankers, Daiwa's Mr Yuji Suzuki, a senior manager in Daiwa's international planning division, says: "We have to be in the US."

"It's the largest and the deepest banking market in the world." Founded in Osaka in 1918, Daiwa was originally known as the Osaka Nomura Bank. In 1926, its bond trading division was spun off to form Nomura Securities, an early indication of the parent company's entrepreneurial abilities.

Daiwa retains strong links with Nomura, which is its largest shareholder with a 3 per cent holding.

The relationship is said to be so close that it could easily develop into a substantial business tie — if the deregulation of Japanese financial markets

reaches the point at which such contacts between banks and securities companies are permitted.

Daiwa's chief distinction among Japanese commercial banks is that it is the only one allowed by the Ministry of Finance to do trust banking. This unique privilege has turned Daiwa into a very tempting partner for other banks.

But so far it has resisted their offers of collaboration — including one from Mitsui before it approached Taiyō Kobe. Mr Yuji Suzuki, a senior manager in Daiwa's international planning division, says the bank has avoided imitating other banks. "We have our own unique strategy."

Daiwa believes it has enough clout of its own to expand overseas. It is one of the top 30 largest banks in the world, with assets at the end of March of ¥15,382bn, and made net profits of ¥38bn.

It has one of the best-developed overseas networks of any Japanese bank outside the top five, with 32 offices abroad, and a securities subsidiary in London.

**Pacific Dunlop tops forecast with \$204m**

By Chris Sherwell in Sydney

PACIFIC DUNLOP, one of Australia's most successful international industrial conglomerates, yesterday reported better-than-expected after-tax profits of A\$263.3m (\$204m) for the year to June, up 42 per cent on the previous year's A\$185.5m.

This was achieved on revenues of A\$4.6bn, up 27 per cent from A\$3.6bn the previous year. This advance was attributed to a strong performance in all divisions which, according to the company, is expected to continue.

Earnings per share reached a record 40.1 Australian cents, representing a compound growth of 18 per cent during the past five years. Directors declared a final dividend of 9.5 cents a share, making a total of 17 cents for the year, up 28.8 per cent after allowing for a one-for-10 scrip issue.

A breakdown of the results showed that Ansell International, the rubber products and condoms group, was the only business to suffer a decline in pre-interest operating profits, falling to A\$51m from A\$60m. Offsetting this was a new A\$22m contribution from the medical products division, led by the recently acquired Nucleus pacemaker and hearing-aid business.

The industrial and electrical products division remained the largest contributor to operating profits, with A\$144m, a 30 per cent share. The batteries division, tyres business, consumer products group and distribution operations also increased their contributions.

Geographically, Australian operations continued to account for two-thirds of sales, with three-quarters of the remaining A\$1.5bn in international sales coming from North America.

On the earnings side, 25.3 per cent (A\$108m) of profit before interest and tax came from abroad. Two-thirds of this was generated in New Zealand and south-east Asia.

Pacific Dunlop shares finished 10 cents higher at A\$5.10, on a day which saw narrow price movements and low volumes.

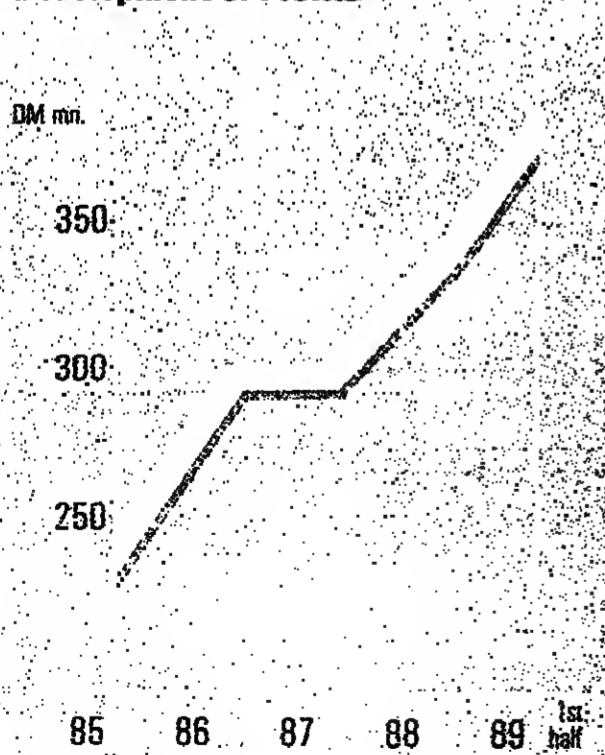
**Developing Internationally**

**On an Expansion Course**

**First-Half Profits up 19%**

The strong development of VEBA's business is continuing in 1989. Turnover in the first half-year increased 14% to DM 24.4 bn. VEBA's profits grew 19% to DM 397 m.

Development of Profits



**Growth Focused on Chemicals**

The chemical business remains the focal point of the company's expansion. While extension of present lines of business continues, the company is also strengthening its international presence, with particular emphasis on Europe and the USA. Trading and transport activities are also expanding abroad. The services sector has been extended by the addition of a new security division.

**Participation in FELDMÜHLE NOBEL AG**

VEBA AG has now a 46% interest in the FELDMÜHLE NOBEL AG. VEBA regards this as an entrepreneurial activity and intends to achieve, in cooperation with the existing management, capital and

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If you would like to receive a copy of the 1989 interim report, the 1988 annual report, or further information, please write to: VEBA AG, Karl-Arnold-Platz 3, D-4000 Düsseldorf 30, West Germany.

**VEBA**

Results in Brief in the First Half-Year		1988	1989	Change
Turnover	DM million	21,337	24,383	+ 14%
Profit	DM million	335	397	+ 19%
Capital expenditure	DM million	1,238	1,222	- 1%
Employees		83,830	81,657	+ 9%



INTERNATIONAL COMPANIES AND FINANCE

# Shareholders at Paladin abandon disputed meeting

By Michael Murray in Hong Kong

THE CONTROVERSY at Hong Kong-listed trading and investment company Paladin, threatened with delisting by the colony's stock exchange, rumbled on yesterday when a disputed annual meeting called by a group of minority shareholders was abandoned.

Paladin directors had postponed the meeting scheduled for yesterday because notice of it had not been sent to shareholders in New Zealand, where Paladin shares are listed as well as in Hong Kong. However, the minorities, led by a company called Lai See and being advised by corporate financiers, Anglo Chinese Investment, rebuffed the venue and announced that the meeting would take place as originally planned. It had hoped to vote Paladin directors off the board at the meeting.

However, under threat of legal action, Lai See agreed to term yesterday's meeting an informal gathering of shareholders. Now it will prepare for a proxy fight at the officially reconvened meeting to be held before 23 October.

A crucial issue then will be whether Paladin directors vote a block of shares belonging to

# Little fish get a bite in the Mexican Gulf

Steven Butler on the small oil companies making money where formerly only the majors could operate

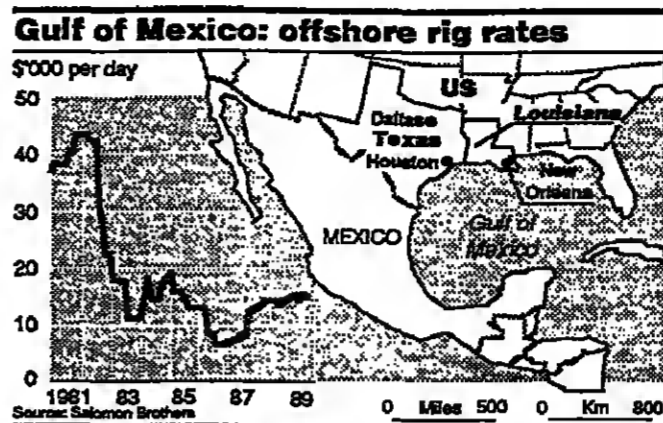
When Walter Oil & Gas, a respected and successful family-owned oil company, first started playing the farm-in game - drilling prospects leased by the big oil companies in exchange for a percentage interest - in the Gulf of Mexico in 1983, it nearly had its pick of the deals.

No more. Entry barriers to exploring and producing oil and gas in the Gulf of Mexico have dropped nearly as far as oil prices themselves, and many small companies reckon they too can make money in what not very long ago was a high-technology, frontier area where only well-capitalised companies could participate.

Now, says Mr Eusey Walter, who has taken over the running of the company while his father looks for prospects overseas, all kinds of little start-up companies have caught on. Walter Oil & Gas has trouble finding deals that meet its conservative financial targets and, when they do, chances are that someone else will scoop them up.

The result is a competitive arena that likely to lead to maximum exploitation of this mature oil province, to the benefit of energy consumers as well as the US economy. The system contrasts with that in the UK, where the Government maintains more control over offshore operations and small companies have less of a role.

In the Gulf since 1983, all acreage has come up every year for auction to the highest



bidder, with leases running for five years in shallow water. Minimum bids have dropped to just \$25 an acre. This has meant a steady supply of cheap acreage which, for the oil industry, spells opportunity.

Paradoxically, the fall in oil prices itself contributed to attracting more small companies to play the field. Lower oil prices have changed the economic attractions for big companies to exploit offshore oil acreage that they have already leased, and in some cases they were willing to step aside to allow in companies with different ideas and the cost structure to exploit profitably prospects as small as 5m cubic feet of gas, compared with the 500m that big companies like to see.

One of the latest development concepts is a lean-to platform. Two piles are driven at angles against a vertical well pipe conductor, and a small pre-fabricated platform dropped on the three points at the top. Mr Donald Paape, a petroleum geologist trying to set up his own company, figures he can bring a small field into production within a few months for just \$30,000 in drilling costs, \$450,000 for completion, and \$1.2m for the platform itself - if only he can find the financial backers. (Billion dollar platforms are not unusual in the North Sea.)

Many of the big companies retrenched drastically after 1986, leaving them with a surplus of exploration acreage to staff. As leases come up for

finance. But it also has high overheads in terms of staff, and no production, thus no income.

"The company is focusing its efforts on a small area of the Gulf, with which the staff is already familiar."

"We hope to approach this area of the Gulf with as much technology as a major [oil company] can, but with the flexibility of an independent," says Mr Foster.

That technology consists, above all, of using high-resolution, three-dimensional seismic data, manipulated by fast computers, to find small pockets of gas in a well-defined and understood area that can be developed profitably.

"The most successful geologist I ever knew spent his whole life in one county in Oklahoma," says Mr Foster.

Newfield is looking for early cash flow, and chose its first drilling prospect, which it started last month, because the prospect is in shallow water near existing pipelines and, if successful, can be brought on stream in five to six months.

Another unusual story is that of Mr Jeff Sandefer, who, after earning an MBA at Harvard Business School, had the nerve to start an offshore oil company in 1986, just when oil prices were falling through the floor. He says - and no one doubts him now - that he is a contrary character.

"It is a business where you are more active when the market is cold, and less active when the market is hot," he says.

The key in the US industry is to find financial partners, institutions and wealthy individuals who participate in individual wells. Banks will not lend to the oil industry after the recent heavy losses.

Mr Sandefer has built up interests by farming-in to leased acreage, thus avoiding paying for leases, or buying old producing platforms that big companies do not want to have to dismantle. Horizontal drilling techniques can then be used to tap nearby satellite accumulations from the platform.

After a few years of business, Sandefer Offshore Exploration is operating 12 mostly unmanned platforms in the Gulf with a staff of just eight. To avoid getting fat, however, Mr Sandefer is planning to sell all of them in the coming months to concentrate on what the company has proved it can do well: finding oil and gas and developing it at a profit.

"Right now everyone is buying property, so it's a good time to explore," he says.

A key plank in the company strategy is to keep small and to know when to withdraw quickly and head for greener pastures. It might as well sell the cash flow rather than keep capital tied up, especially when many analysts figure that Amerade Hess recently paid more for the gas reserves in the ground of Transco, another successful independent, than that gas is worth delivered to the market today.

# Seiyu to acquire 40% of Hong Kong retail group

By Michael Murray

JAPANESE group Seiyu is moving into Hong Kong retailing. It has signed a conditional agreement to acquire 40 per cent of Wing On department stores for HK\$356m (US\$45.6m). Wing On operates a chain of nine outlets in the colony.

Seiyu, a member of the Sanyo Group, operates a large retail network in Japan, with turnover for its last financial year of HK\$6.5bn. A statement said that Wing On and Seiyu intend to co-operate to expand the Wing On department stores group into other countries in South-East Asia.

Wing On department stores is a wholly owned subsidiary of the Wing On company, which intends to retain the

other 60 per cent of the shares. The department store unit owns two store premises and a distribution warehouse, and total turnover from its nine stores is forecast to top HK\$1.3bn during this financial year to December.

The department store sector in Hong Kong is dominated by Japanese companies, and has experienced a boom over several years on the back of increased spending power due to rising wages in the colony.

Events in China in June have raised doubts over continuing growth in consumer spending. The Seiyu investment is likely to be seen as a confidence-booster for the territory's retailing sector.

# Bank to help troubled BCE arm

By Robert Gibbens in Montreal

BCE, Canada's largest conglomerate, has retained investment bank Goldman Sachs of New York to find buyers for US properties owned by its troubled real estate arm, BCE Development.

BCE Development has around US\$1.5bn in US assets, including office buildings in Chicago, Minneapolis, Denver and St Paul, Minnesota. The division, formerly Daon Development, also has a large portfolio in Canada.

The Reichmann Brothers of Olympia and York Development recently dropped an offer to buy BCE Development, while attempts to sell the US portfolio to JMB Realty of Chicago have failed.

## R&I

**THE RURAL AND INDUSTRIES BANK OF WESTERN AUSTRALIA**

Issue of U.S. \$300,000,000  
Undated Floating Rate Notes  
Exchangeable into Dated  
Floating Rate Notes  
of which U.S. \$200,000,000 is  
being issued as the Initial  
Tranche

Interest Rate	8.975% per annum
Interest Period	18th September 1989 19th March 1990
Interest Amount due 19th March 1990 per U.S. \$10,000 Note	U.S. \$ 453.74
U.S. \$250,000.00 Note	U.S. \$11,343.40

Credit Suisse First Boston Limited  
Agent Bank

September 19th, 1989

## COMMUNAUTÉ URBAINE DE MONTRÉAL

**Communauté urbaine de Montréal**  
(Montreal Urban Community)  
(Canada)

**US\$150,000,000**  
Floating Rate Notes due 1991

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months from September 20th, 1989 to March 20th, 1990 the Notes will bear interest at the rate of 8 1/4% per annum. The interest payable on the relevant Interest Payment Date, March 20th, 1990 against Coupon No. 12 will be US\$443.07 per US\$10,000 Nominal.

Agent Bank  
**ORION ROYAL BANK LIMITED**  
A member of The Royal Bank of Canada Group

The announcement appears as a matter of record only. September 1989

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## Euro Disneyland S.C.A.

and

## Euro Disneyland S.N.C.

FF 7,000,000,000

Credit Facility

for

### Phase 1A, Euro Disneyland

Arranged by

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and

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Deutsche Bank Aktiengesellschaft

Morgan Guaranty Trust Company of New York

Crédit Agricole

The Long-Term Credit Bank of Japan, Limited

Lead Managed by

Banque Nationale de Paris

Deutsche Bank Aktiengesellschaft

Morgan Guaranty Trust Company of New York

Crédit National

Banque Indosuez

Amsterdam Rotterdam Bank N.V.  
(Succursale de Paris)

Banque Française du Commerce Extérieur  
Commerzbank Aktiengesellschaft  
(Succursale de Paris)

The Dai-Ichi Kangyo Bank, Ltd  
(Succursale de Paris)

Generale Bank  
(Generale Bank S.A./N.V.,  
Generale de Banque Belge (France))

The Mitsubishi Bank, Limited  
(Paris Branch)

National Westminster Bank Group  
(National Westminster Bank PLC succursale de Paris,  
National Westminster Bank S.A.)

The Sanwa Bank Limited

The Bank of Nova Scotia

Barclays Bank Group  
(Barclays Bank PLC, Barclays Bank S.A.)

Crédit Foncier de France

Dresdner Bank Aktiengesellschaft  
(Banque Veuve Morin-Ponca)

The Industrial Bank of Japan, Limited  
(Paris Branch)

The Mitsubishi Trust and Banking Corporation

NMB Bank (France)  
(Niederländische Middenstandsbank N.V.)

The Sumitomo Bank, Ltd.

The Tokai Bank, Limited

The Bank of Tokyo, Ltd.  
(Succursale de Paris)

Bayerische Vereinsbank  
(BV France)

Crédit Suisse  
(Crédit Suisse, Crédit Suisse (France))

The Fuji Bank, Limited  
(Paris Branch)

Midland Bank Group  
(Midland Bank S.A., Midland Bank PLC)

The Mitsui Bank, Ltd.  
(Paris Branch)

The Saitama Bank, Ltd.

Westdeutsche Landesbank  
Girozentrale  
Banque Franco-Allemande

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Banque Fédérative du Crédit Mutuel  
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Bourgogne-Centre Est / Champagne-Ardenne)

Banque Régionale d'Escompte et de Dépôts - BRED

Banque de Neufize, Schlumberger, Mallet  
Groupa A.B.N.

Caisse Centrale des Banques Populaires

Agent

## Banque Nationale de Paris

Banque Nationale de Paris

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, September 18, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table with columns: COUNTRY, \$ STG, US \$, D-MARK, YEN (x 100), and corresponding values for various countries including Afghanistan, Albania, Algeria, etc.

Special Drawing Rights Sept. 15, 1989 United Kingdom £1.25640 United States \$1.23750 Germany West D-Mark 2.45522 Japan Yen/100 166.08000 European Currency Unit 1.36633

Abbreviations: (a) Free rate; (b) Nominate rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate; (j) Buying rate; (k) Bank rate; (l) Market rate; (m) Official rate; (n) Preferential rate; (o) Convertible rate; (p) Parallel rate; (q) Selling rate; (r) Tourist rate; (s) Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4364/5.

INTERNATIONAL CAPITAL MARKETS

Court ruling hits authority of Tel Aviv stock exchange

By Hugh Carnegie in Jerusalem

THE Tel Aviv Stock Exchange has been shaken by a court ruling against it which has thrown into doubt its ability to enforce its own market regulations. The ruling, issued by the District Court, upheld a challenge by a property company called Israel Land Development against a 1988 Stock Exchange ruling which required holders of controlling so-called founders' shares in any company to own at least 20 per cent of ordinary equity.

Marriott Moore draws backers

By Chris Sherwell in Sydney

A HANDEFUL of well-known international executives, including Mr Rupert Murdoch and Mr Rupert Hambro, yesterday announced their backing for a new corporate finance firm started by two former Elders group employees.

Tokyo SE keeps its cool in friction over two UK firms

By Robert Thomson in Tokyo

THE TOKYO Stock Exchange, pressed by the British Government to provide seats for two firms, Barclays de Zoete Wedd and James Capel Pacific, has indicated that the visit to Japan this week of Mrs Margaret Thatcher provides no reason to hurry the deliberation on the firm's status.

Other backers include Mr Garner Anthony, chairman and chief executive of the US Cox media group, Kenneth Eastman Myer and Sidney Ball-Frutes Myer, who made their fortunes from the Myer (now Coles Myer) retailing group, and Mr Ian Beaupre, a director of Pacific Dunlop.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 18

Table with columns: US DOLLAR, YEN STRAIGHTS, OTHER STRAIGHTS, DEUTSCHE MARK, and various bond listings with prices and yields.

Table with columns: STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLE, and various bond listings with prices and yields.

Table with columns: SWISS FRANC, and various bond listings with prices and yields.

TRADE INDEMNITY THE CREDIT RISK MANAGERS 01-739 4311 OVERDUE ACCOUNTS COLLECTION

Kash n' Karry Senior Floating Rate Notes due August 2, 1996 \$85,000,000 Merrill Lynch Capital Markets

Asahi ASAHI BEER INTERNATIONAL FINANCE B.V. Yen 15,000,000,000 5 per cent. Dual Currency Yen/U.S. Dollar Guaranteed Bonds 1994

Notice to the Warrant Holders of MITSUI TOATSU CHEMICALS, INC. US\$ 200,000,000 4 1/2% Guaranteed Bonds due 1992

The prices over the past week were supplied by: Bankers Trust International; Credit Suisse; Deutsche Bank AG; Dresdner Bank AG; etc.

INTERNATIONAL CAPITAL MARKETS

World Bank \$1.5bn issue gets underway

By Andrew Freeman

THE much-heralded \$1.5bn global bond issue from the World Bank was finally launched yesterday when the lead dealers, Deutsche Bank Capital Markets and Seligman Brothers, outlined the basic...

NEW INTERNATIONAL BOND ISSUES. Table with columns: Issuer, Amount (\$m), Coupon (%), Price, Maturity, Fees, Book runner.

US DOLLARS: World Bank (G), Credit Locals (G). NEW ZEALAND DOLLARS: NZ Development Bank (D).

thought unlikely as such a move would damage the crucial public relations element of the deal.

Mr Donald Roth, World Bank treasurer, said in London that he was confident the bonds would find easy demand.

A Paris official confirmed that the borrower had decided not to follow a re-offering style syndication on the grounds that the technique is not fully established.

Paribas made no secret of the fact that it was taking advantage of strong demand for 10-year dollar paper from investors which think they are unlikely to be allocated any World Bank bonds.

The Credit Local bonds were offered with an 8% per cent coupon and were priced at 107.65 to yield some 65 basis points over the equivalent Treasury issue.

Each bond has two types of warrant attached offering different exercise periods. The bonds with warrants were quoted by UBS at a discount of less 1/2% to the high issue price of 144 points.

In Germany, a DM200m 10-year floating-rate note issue brought for the Asian Development Bank by Deutsche Bank had a slow reception amid comments that the pricing was aggressive.

The December 10-year bond closed at 96.74, down 1/2% to 96.93 at opening.

INTERNATIONAL BONDS

terms and started the clock on a 24-hour pricing period. The bonds will have a 10-year maturity and are syndicated on a fixed-price re-offering basis.

The two lead dealers have commitments of \$150m, while other participants have \$75m. The 14 members of the underwriting group speak yesterday sounding out institutions and investors on the precise spread at which they would buy the bonds.

well-timed as demand was so strong they could sell paper on an even tighter spread. One week's excitement when the cash flow crisis at Cambridge Corporation triggered heavy losses in this high-yield sector.

US Treasuries register small losses at short end

By Karen Zagor in New York and Rachel Johnson in London

US TREASURY bonds were narrowly mixed yesterday, registering small losses at the short end of the yield curve and slight gains at the long end.

The dollar posted moderate losses through the early afternoon with the US Treasury changing hands at \$145.75 and DM1.9515, down from its earlier London high of \$146.91 and DM1.9770.

The UK government bond market had a reasonable day at the longer end, with bonds due in 2009 moving up 1/2%.

All was quiet in yesterday's junk bond market after last week's excitement when the cash flow crisis at Cambridge Corporation triggered heavy losses in this high-yield sector.

BENCHMARK GOVERNMENT BONDS. Table with columns: Instrument, Coupon, Bid Rate, Price, Change, Yield, Week ago, Month ago.

UK Gilts: 13.500, 9.500, 8.000, 5.000. US Treasury: 8.000, 5.125, 4.500. JAPAN: No 111, No 2. GERMANY: 8.750, 8.500. FRANCE: BTAN 8.000, OAT 8.125. CANADA: 8.500. NETHERLANDS: 7.250. AUSTRALIA: 12.000.

London closing, "denotes New York morning session. Prices: US, UK in 32nds, others in decimal. Yield: Local market standard. Technical Data/ATLAS Price Sources.

With the D-Mark strengthening throughout the day, the German government bond market eventually made good initial falls of between 10 and 20 pennies.

The improvement in prices resulted mostly from dollar weakness and a better day in reaction to the day's fixings.

Philippines \$50m fund launched on London SE

By Andrew Baxter

BANQUE Indosuez, banking subsidiary of France's Groupe Suez, yesterday launched its \$50m Manila fund.

The fund, registered in the Cayman Islands, will be listed on the London Stock Exchange. It follows the success of two other recent Indosuez funds, the \$100m Slam Fund and the \$35m Malacca Fund.

Mr Robert Lloyd George, managing director of Indosuez Asia Investment Services, said that the closed-end fund will facilitate foreign portfolio investment in the Philippines.

The market is open to foreign investors. It is just difficult to trade in. The fund will run for seven years.

Mr Lloyd George said that President Cory Aquino had proved the point of political stability over the past 2 1/2 years.

The fund intends to be realistic about the stocks available for purchase, and will concentrate on the 35 liquid stocks, for which Indosuez has largely had to develop its own research base.

The fund comprises 5m shares of one US cent par value, priced at \$10.40 each.

Mr Lloyd George expects 70 per cent of the fund's shares to be held in the UK. It may take 12 months or more for the fund to become fully invested.

Asda announces financing details for Gateway deal

By Andrew Freeman

ASDA, the UK supermarket and food retailing group, has announced financing details for the bulk of its £700m (\$1,085m) acquisition of 61 Gateway stores from the Isocoles group which took control of Gateway earlier this year.

There are three main elements of the Gateway financing. National Westminster Bank will be the arranger of an extension to £500m of the company's existing five-year £200m multi-option facility while Swiss Bank Corporation has been mandated to syndicate a £250m transferable-term loan facility which will be fully drawn.

After completion of the acquisition, Asda plans to issue a £150m vendor placing of convertible capital bonds on the UK domestic market.

Mr Ron Scott, Asda's group finance director, said: "In addition to the Gateway transaction, the short-term borrowings have to be seen in the context of our cash requirements for the rest of our business, and our property financing plans."

On September 25, Maturities will vary from a minimum of 30 days, but the company guarantees that the paper can be rolled over for a maximum of two years.

The company confirmed that the issue will be priced at 25 basis points above the Hong Kong Interbank Offered Rate with a commitment fee of 25 basis points above Libor.

The banks will back the CVRD issue with cash tied up in the compulsory debt lines opened to Brazil as part of its \$115bn foreign debt restructuring package.

CVRD to raise \$200m

By John Barham in Sao Paulo

COMPANHIA VALE do Rio Doce (CVRD), Brazil's leading mining company, plans to raise up to \$200m through a Euro-commercial paper programme in the first approach of a Brazilian government company to the market since the onset of the Latin debt crisis in 1982.

CVRD decided to raise financing abroad because local real interest rates are high and because it wants to prepare the market for future issues.

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LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

Table with columns: British Funds, Corporations, Dominions and Foreign Bonds, etc. Rise, Fall, Same.

LONDON RECENT ISSUES

Table with columns: Issue, Amount, Latest Price, High, Low, Stock, Closing Price, %.

RIGHTS OFFERS

Table with columns: Issue, Amount, Latest Price, High, Low, Stock, Closing Price, %.

A 10% Annual Dividend is offered on the basis of the last dividend paid. The dividend is payable in full on the day of the meeting.

LONDON TRADED OPTIONS

THE LONDON Traded Options Market

passed an exceptionally sleepy day, even by its own recent standards. The stock market was held back, lacking inspiration from Wall Street, and boxed in on the upside by 14 of the FT-SE 100 index stocks having just gone ex-dividend.

Options turnover was just 19,518 contracts, of which most were in call series, with only 8,419 puts traded.

Asda, which has been one of the most active stocks since it was listed with restricted list status, topped the list of individual stock options, with 2,078 lots traded, all of them calls.

The stock fell when a bid again failed to materialise, but dealers speculated a takeover would be likely to emerge before the extraordinary general meeting in two weeks to clinch the superstore purchase from Gateway.

A good proportion of yesterday's business was in the September 220 calls, which recorded 922 lots in sum.

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FT-ACTUARIES' SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Monday September 18 1989, Index No., Day's Change, etc.

FIXED INTEREST

Table with columns: PRICE INDICES, Mon. Sep 18, Day's change, etc.

40-point index 2388.3, 10 am 2369.9, 11 am 2370.8, Noon 2371.4, 1 pm 2371.9, 2 pm 2373.0, 3 pm 2372.9, 3.30 pm 2372.3, 4 pm 2370.6

## UK COMPANY NEWS - THE PROBLEMS AT FERRANTI

## Versed in the art, and science, of defence

David White fills in the background of Ferranti in its various fields of expertise

A NEW International Institute for Defence Procurement Studies, being formed in London, so far has only one industrial participant - Ferranti International Signal. In the light of what has emerged over the past few days, the company itself will make an excellent case study. Any lessons that may be drawn, however, may come too late.

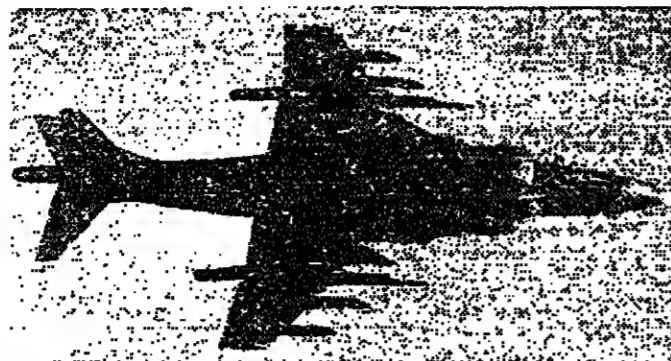
Ferranti has become increasingly dependent on its defence activities, moving out to grasp the business of providing complete integrated systems and aiming to set itself up as a missile supplier as well.

But, even before facing the implications of "irregularities" at its ISC Technologies offshoot, it has already had its share of setbacks. While retaining a crucial importance for the UK Ministry of Defence in areas such as airborne radar, laser targeting devices and underwater sensors, it has fallen victim to the tough competition being nurtured by the ministry and faces uncertainties in other projects where it has been counting on significant business.

Defence, ranging from pilots' night-vision goggles to components for mines, currently represents three-quarters of Ferranti's £1bn annual turnover, and the company relies on a flow of major UK orders to sustain its research and development. The cost of company-funded development soared 60 per cent to £58m in its last financial year.

Shipboard command and control systems for the Royal Navy are one area that had become virtually a Ferranti monopoly. All the Navy's current surface ships and submarines, barring some minesweepers, have Ferranti systems.

But in 1986 it lost an £8m



The RAF's latest British Aerospace/McDonnell Douglas Harrier GR5, now deploying in the field in West Germany. The inertial navigation system, mission video-recording system, moving map display, night-vision goggles and automatic test equipment all come from Ferranti.

contract for a new submarine system and this year a £150m contract for a new frigate system - having had its own initial project aborted. Both contracts were awarded to a consortium led by Dowty and the Anglo-French company Sema.

Ferranti had hoped to use the UK frigate project as a platform for exports, but immediately afterwards Australia placed its frigate systems business with the Swedish Bofors group.

In this sector this leaves Ferranti relying principally on upgrading work on current systems.

In airborne radar, a big question-mark hangs over the deal which would keep Ferranti busy into the next century and enable it to concentrate resources on new research: the radar for the European Fighter Aircraft (EFA).

The contract - eventually worth more than £1bn - is due to be discussed in West Germany on Thursday by Mr Tom King, the defence secretary.

The UK appears to have softened its stance against Bonn's dogged defence of a West Ger-

man-led alternative for the deal. The Ferranti-designed radar has been backed by the UK, Italy and Spain against a proposal from AEG of West Germany based on a US Hughes system. The AEG consortium includes GEC-Marconi, Ferranti's chief UK rival.

The UK recently agreed to reconsider whether the German proposal could be developed to meet the RAF's stringent requirements. Ferranti's own problems have now cast further doubt over its prospects. A decision is already several months overdue. This, with its possible cost implications, has increased speculation that Bonn might pull the plug on the whole four-nation project.

Ferranti's expertise in radar goes back to the Second World War. In the late 1950s it produced the world's first high-power monopulse radar for the supersonic Lightning fighter. Its £180m Blue Vixen radar, conceived after the experience of the Falklands conflict to give much greater capability to the Navy's Sea Harriers, is due to go into production shortly. This is the radar from which

Ferranti's EFA proposal has evolved.

Another new radar, Blue Kestrel, is under development for the Navy version of the Anglo-Italian EH101 helicopter, but that is another project beset by problems and uncertainties. Ferranti's current production work in radars is principally for exports of the well-tried Lynx helicopter.

Winning the EFA contract would enable Ferranti to concentrate resources on further radar research. Losing it would oblige it to fall back on short-term business to keep its workshops occupied.

Despite these substantial clouds on its horizon, Ferranti has some recent successes to its credit.

It won the bidding in July for the Sonar Type 2075, to be fitted in the Navy's latest Upholder class diesel patrol submarines, which are due to enter service in the 1990s - the first Ministry of Defence contract for a completely integrated system. This followed initial deliveries of Ferranti's surface-ship Sonar 2050, due to be fitted to all the Navy's new Type 23 frigates, and retro-fitted on its current Type 22 vessels and the more recent of its Type 42 destroyers.

In the last few years Ferranti has built up its capability in the "wet end" of sonar systems - the underwater sensors - to match the "dry end" of inboard processing and displays. By being able to provide complete sonar systems it constitutes the main competition in the UK for Plessey, now to be absorbed by GEC-Marconi.

Ferranti says that the only other companies in the market with this kind of capability are Krupp Atlas of West Germany, Raytheon of the US and Thomson-CSF of France.

In the avionics field, Ferranti has won contracts worth about £50m for the mid-life update of

the RAF's Tornado GRI ground-attack aircraft. This meant displacing Smiths Industries for supply of the aircraft's head-up display - for the projection of key data. This is a field in which Ferranti was a relative latecomer but has moved into the front rank.

Ferranti navigation equipment is in service throughout the RAF - including the latest Harrier GR5 and both the ground-attack and air-defence versions of the Tornado - and in the Fleet Air Arm. Here too, it is bidding in a team for the EFA contract.

The company also plays an important part in supplying advanced electro-optical equipment for targeting. A Ferranti-led joint venture with British Aerospace and GEC-Marconi was chosen last year - against strong US competition - to provide a Thermal Imaging Laser Designator "pod" for the Tornado. This enables the navigator to focus on a target.

One area that Ferranti has tried to build up since the 1987 merger with International Signal and Control is that of guided missiles, through its subsidiary Ferranti International Dynamics. This has shared its headquarters at Hanworth in Middlesex with ISC Technologies, the company at the centre of the contracts affair.

Ferranti set out to make itself into an alternative force in supplying weapons and subsystems following British Aerospace's takeover, also in 1987, of Royal Ordnance.

It is now hoping to hold onto a contract which ISC won with the United Arab Emirates, believed to involve a new family of air-to-ground weapons and to be worth several hundred million dollars.

Production for this contract would be carried out in the UK.

## Silence in the City as it watches the continuing uncertainty

By David Barchard

THE UNCERTAINTY surrounding Ferranti International Signal, the shares of which were suspended last week, showed no signs of clearing in the City yesterday.

All of the principal parties to Ferranti's merger with International Signal and Control in 1987, remained silent, waiting for a further announcement from the company itself.

Peat Marwick, one of the two accountancy houses which audited the accounts of ISC, yesterday said that it was not possible to comment at this stage. It said the two partners in the firm who had been most directly concerned with the merger were travelling and not available for comment.

Mr Lawrence Banks, deputy chairman of Robert Fleming, the City merchant bank which acted as adviser to ISC, was prepared to say more.

"We can only say that we did not initiate the merger discussions between Ferranti and ISC. But we would not have

put our name to the merger if we had not thought that ISC was a sound company," he said.

However, Mr Banks added: "Until we are given further information about what has happened, there is no further comment that I can make."

Fleming acted as adviser to ISC from its stock market flotation in 1982, later handling the acquisition of Marquadt, a West Coast American rocket components company, as well as its first rights issue.

Mr Banks said that Fleming's links with ISC had faded after the merger and he had not been in contact with any of its principal figures in the last few weeks.

However Fleming remains one of the principal shareholders in Ferranti, with a stake of 25m or about 3.35 per cent of the group's total capital. Meanwhile, asset managers in London were watching the

Ferranti situation closely yesterday, but said that as yet there were no moves by investors to form a command group.

"The key question for us is what the financial consequences of all this will be for the company's trading position. Yet no one has any idea," said one fund manager.

However, several City analysts, while warning that the situation was still far from clear, agreed that a private sector buy-out for Ferranti was increasingly likely.

Mr David Gibbon, investment analyst at James Capel, said that Thomson-CSF, the French state-controlled electronics group, was one possible contender for an eventual takeover, but other possible buyers could include Ford Aerospace in the US or GKN in the UK.

"It all depends what the costs involved are and how much balling out there is to do," he said.

## A major force snatches disaster from the jaws of success

FERRANTI'S merger with International Signal and Control in 1987 was hailed as a natural marriage, even if its motivation for Ferranti was basically defensive, writes David Barchard.

Both companies were military electronics contractors, but seemed to overlap very little. With 59 per cent of the combined group, Ferranti's control of it was assured.

Before the merger, ISC had enjoyed a mixed reputation during its five years as an independently quoted company. The persistent refusal of Mr James Guerin, ISC's founder, to give any details of his customer base had led him to seek a stock market listing in London rather than New York for a company which had started life in his cellar.

ISC's shares rose rapidly during the years after 1982 but British investors were deterred by Mr Guerin's secrecy. Early in 1987, when ISC produced disappointing results, its share price tumbled by a quarter in less than an hour.

For Ferranti, somewhat demoralised by Government retrenchment, the merger cushioned it against its former dependency on the UK Ministry of Defence and possible future failure to win important contracts such as the European Fighter Aircraft radar contract

share swap, Mr Guerin and his associate, Mr Clyde Ivy, became one of the largest individual shareholders in the new group.

However the merger was quickly followed by the October 1987 stockmarket crash. Ferranti's first full year results after the merger produced an increase of just under £10m for the combined group, with ISC contributing £13m and Ferranti £51.2m.

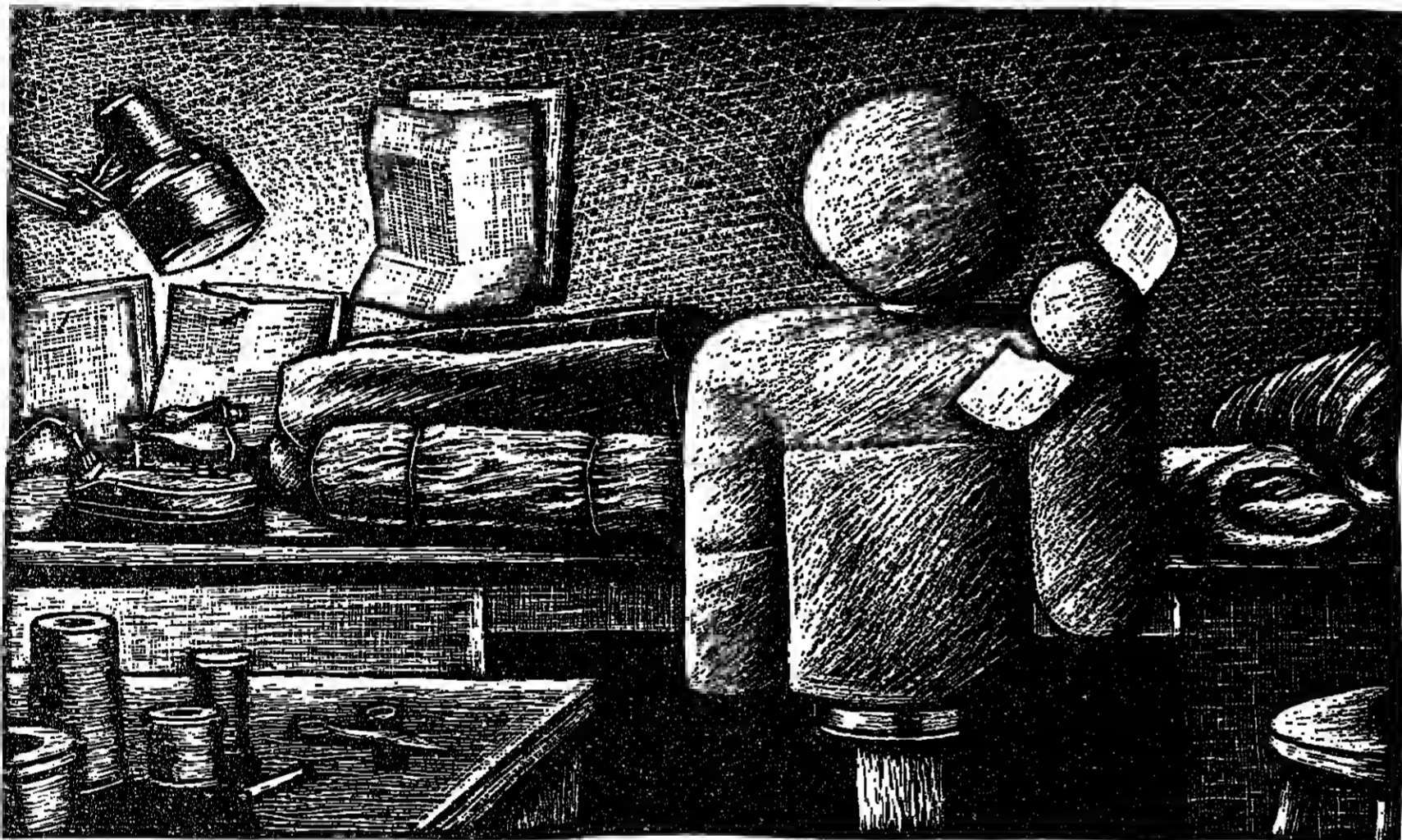
Future hopes were increasingly pinned not on defence contracts but on the Zephone, a cordless telephone, due to be put on the market in 1990 at a cost well below that of cellular telephones.

When Mr Guerin and Mr Ivy left Ferranti International Signal in May after 18 months with the merged group, their decision was said by Ferranti at the time to reflect Mr Guerin's preference for working as an entrepreneur in a small privately-owned company. Mr Guerin took with him two small companies in the group, ISC Technologies and a 60 per stake in Electronic Systems, a small Nigerian group.

At the time of his resignation this spring, Mr Guerin owned 31.8m shares in Ferranti International, about 4.26 per cent of its capital. But Mr Guerin disposed of his stake during July and August.



James Guerin - preference for working as an entrepreneur



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## BASE METALS

The Financial Times proposes to publish a Survey on the above on

2nd October 1989

For a full editorial synopsis and advertisement details, please contact:

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UK COMPANY NEWS

# All-round growth behind Steetley's rise to £50m

By Andrew Taylor, Construction Correspondent

STEETLEY the UK building materials group, which has very strong market positions in France and Spain, increased pre-tax profits by 40 per cent to £50.9m in the six months to the end of June.

Steetley is the biggest producer of aggregates and hard rock in France. It also has 30 per cent of aggregates market and 25 per cent of the ready-mixed concrete market in Madrid, one of Spain's fastest growing construction markets.

The group's biggest market remains the UK, which accounted for 68 per cent of operating profits in the first half. UK profits rose by 27 per cent to £36.57m. French profits increased by 28 per cent to £7.2m while profits from other Continental markets, mostly the Madrid aggregates and ready mixed concrete businesses, jumped from \$22,000 to £3.2m.

Mr David Dome, chairman, said Britain, France and Spain,

planned major increases in spending on road and rail construction during the next decade.

In May the Government announced plans to spend £12bn on motorway and trunk road improvements. France intended to build or upgrade 3,000 km of motorways and trunk roads by 1994. France also proposed to build 720km of high speed rail track by 1993.

Spain planned to build 2,400 km of motorways by 1999. There also plans to create 2,500 km of high speed rail track. Mr Dome said Steetley's aggregates, rock and concrete businesses would greatly benefit from increased European expenditure on infrastructure.

Group turnover rose by 29 per cent to £332m. Earnings per share rose by 20 per cent to 21.7p. The interim dividend lifted from 4p to 4.75p.

Mr Dome warned profits would grow more slowly in the

second half of this year due to falling demand for bricks as a result of the slump in housebuilding in the UK and in the north east of the US.

COMMENT

Steetley has been one of the more popular building materials stocks in recent months and rightly so. Only 20 per cent of worldwide profits is tied to UK housing while it has strong positions in the UK, France and Spain at the heavier end of building materials. These will all benefit from increased spending by the three countries on infrastructure. Much of this good news, however, is well known and is already reflected in the share price. Sales of bricks in the UK held up surprisingly well in the first half but cannot defy gravity for ever. US profits will also remain flat with the housing market in the north east of the US as miserable as that in south east England. Steetley offers some of the best prospects of any UK building materials group but may not be able to squeeze too much more at the moment from a share price which puts the group on a pile of more than 9 on pre-tax profits of between £106m and £110m for the year.

# Pearson expands book interests with £10m buy

By Maggie Urry

PEARSON, the publishing, investment banking and industrial group, which owns the Financial Times, yesterday announced two acquisitions for cash taking it into the bargain and remaindered books market in the US and UK.

Mr Peter Mayer, chief executive of Fargala, Pearson's book publishing subsidiary, said "hitherto we have lacked the capability of trading directly with this important market sector, access to which will add value to some of our existing and future copyrights."

In the US it is buying WH Smith Publishers, part of WH

Smith, the retail and distribution group, for \$14m (£8.9m). In the UK it is paying £2.15m for Godfrey Cave, a private company with venture capital backing.

Mr Malcolm Field, group managing director of W H Smith, said its strategy was centred on retailing and distribution and the publishing interests did not fit in.

The US company publishes bargain books and buys and distributes remaindered books.

Godfrey Cave specialises in the sale of bargain-priced reprints and remaindered to the book trade.

# DSC calls for £30m to fund US deal

By John Thornhill

DSC HOLDINGS, a small loss-making distributor of record styl and audio products, burst into activity yesterday by announcing a large reverse takeover in the US to be funded by a £30.5m rights issue.

The company, which has been regarded as a cash shell since clients of MIM fund management group built up a 23.2 per cent stake early in 1988, is to buy Mid-State Automotive Distributors for an initial payment of £24.2m. Further payments of up to £6.4m will be made over the next three years.

Mid-State, based in Nashville, Tennessee, is a wholesale automotive parts distributor carrying about 158,000 items of stock. It also runs a chain of 50 retail automotive parts stores.

In 1988, Mid-State made profits before tax and exceptional items of \$7.3m on turnover of \$54m.

DSC's shares were suspended at 81p at the end of August pending the announcement of this deal. At that time the company had a market value of £6.3m, just over one-fifth of the size of Mid-State.

It will finance the acquisition by raising £30.5m by way of a 26-for-five rights issue at a price of 75p per share. MIM has agreed to take up its enti-

lement of 9.45m shares, while Smith New Court Corporate Finance will underwrite the remaining 31.25m shares. Merchant Navy Pension Funds, with a 17.2 per cent holding in DSC, has also agreed to take up its entitlements.

Lord Stevens and Mr Christopher Mills, two of DSC's directors, will each receive a payment of £150,000 as a fee for their work towards the acquisition. Neither, however, has received any other fees since joining DSC's board in March 1988.

DSC also announced it is to sell two of its original businesses, Pollards Jewellers Services and RAKS Distribution. The future of its other two trading subsidiaries, Team (Audio) and Diamond Stylus, is also being reviewed as the directors have said they do not expect them to make a significant contribution to the enlarged group's results.

Because of difficulties with listing requirements (relating to problems of recording Mid-State's stock flows over the past five years), DSC will be admitted to the Third Market on its relisting. It will change its name to Mid-States. Shareholders' approval for these developments will be sought at an extraordinary meeting on October 4.

NOTICE TO THE HOLDERS OF THE HOKURIKU BANK, LTD.

U.S. \$100,000,000 1 1/4 per cent Convertible Bonds Due 2002 (the "2002 Bonds")

U.S. \$100,000,000 3 1/2 per cent Convertible Bonds Due 2003 (the "2003 Bonds")

Pursuant to Clause 7 (B) of the Trust Deeds dated 30th June, 1987 for the 2002 Bonds and 2nd August, 1988 for the 2003 Bonds, notice is hereby given as follows:

1. At the meeting on 24th August, 1989, the Board of Directors of the Bank resolved to issue new shares of its Common Stock to shareholders of record as of 30th September, 1989 (the "Issue Date"), at a consideration per share Yen 600.00. The issuance of new shares of Common Stock will become effective on 30th November, 1989.

2. Accordingly, the Conversion Price of the Bonds will be adjusted effective as of October 1, 1989. The conversion price, in effect prior to such adjustment, is Yen 1,252.20 per share of Common Stock for the 2002 Bonds and Yen 1,160.00 per share of Common Stock for the 2003 Bonds. The adjusted conversion price will be Yen 1,252.10 per share of Common Stock for the 2002 Bonds and Yen 1,107.00 per share of Common Stock for the 2003 Bonds.

THE HOKURIKU BANK, LTD.  
By: The Bank of Tokyo Trust Company as Trustee

Dated: September 19, 1989

# Housing slowdown holds John Mowlem to £22.5m

By Andrew Taylor

A SHARP decline in housebuilding restricted pre-tax profits growth at John Mowlem, the construction, housebuilding and airport group, to just 7 per cent at £22.5m during the six months to end-June.

Sir Philip Beck, chairman, said housebuilding profits were £3m lower compared with the first half of 1988.

Mowlem also made a further £2.1m loss at the London City Airport. The company said the number of passengers was only about half the level needed to break even.

Profits from contracting and property sales more than compensated for the fall in housebuilding profits. Construction orders have risen by more than half to £1.2bn during the previous 12 months. Sir Philip, however, was cautious about contracting prospects.

He was concerned that future commercial and industrial developments might be curtailed if the economy suffered as a result of high interest rates.

Mowlem's order book, however, would comfortably carry the company through to well into the second half of next year. Sir Philip said sharply increased workloads had led to an improvement in contracting margins in the UK.

The rate of the growth in the scaffolding and site access services businesses had slowed due to falling demand from UK housebuilders. The performance of the comparable French business was encouraging, Sir Philip said.

COMMENT

Mowlem builds houses mostly in south east England where the recession in the housing market has lasted longest. Sales in the first half are down by about 45 per cent which has made a dent in profits. Fortunately contracting, is on the upswing, while the other construction related businesses, scaffolding and equipment hire have also performed well. Despite slower growth in scaffolding in the UK, in this respect Mowlem is not too much out of line with other construction companies which have contracting arms to offset lower housebuilding profits. Mowlem's case however is weakened by its investment in London City Airport which continues to make losses. The airport may eventually prove a worthwhile diversification but does little for the share price in the meantime. A p/e of more than 8 on prospective profits of £22m is justified by the yield but is unlikely to improve in the short term.

# Pensions boost Utd Friendly

United Friendly Insurance, the USM-quoted underwriter, increased pre-tax profits from £8.24m to £10.11m in the six months to June 30.

Total premium income of £112.48m (£81.6m) was boosted by a first-time contribution of £29.79m from pensions business. General branch underwriting profits slipped to £1.98m (£2.36m) and life profits were again set at £3.33m, being 30 per cent of the 1988 total.

Earnings rose to 51.11p and the interim is lifted to 12.25p (9.9p).

# Ernest Green ahead 40%

Ernest Green & Partners, the USM-quoted structural and civil engineering consultancy, raised pre-tax profits 40 per cent from £2.16m to £3.02m in the year to June 30. This was on turnover 66 per cent ahead from £8.16m to £12.7m.

Mr David Legg, chairman, said that earnings had increased - for the fourth year running - by more than 30 per cent. This time they rose 36 per cent to 25p (18.4p). The proposed final dividend is lifted from 8p to 4p for a total of 6.25p (4.75p) for the year.

# Evans Halshaw £8m dealer sale

By John Thornhill

Evans Halshaw, the Birmingham-based motor distributor, has sold its Ford car and truck dealership in Newport, South Wales, for £8.15m.

The disposal was made in order to comply with Ford's franchising policy which does not allow an operator to run adjacent dealerships.

Evans Halshaw will now have seven Ford dealerships but plans to increase this to eight by means of acquisition.

In 1988, The Newport dealer-

ship contributed pre-tax profits of £790,000. Evans Halshaw has received £6.65m cash for the sale of its trading assets and liabilities and an additional dividend of £1.5m.

The buyer is Mann Egerton, a motor distributor which does not currently operate any Ford dealerships.

Evans Halshaw was asked to dispose of the dealership after it acquired an adjacent Ford dealership in Bristol from UGM Motors last July.

# Move into industrial property buoys BHH

By Paul Cheseright, Property Correspondent

BHH GROUP, the Stoke-on-Trent-based company which has been expanding rapidly into industrial property, yesterday announced profits more than doubled for the half year to end-June.

Pre-tax profits were £5.91m, compared with £2.72m to the 1988 first half. The share price failed to respond, however, and finished just 1p higher on the day at 144p.

BHH, once known as Berkeley & Hay Hill Investments, pulled out of residential property late last year when its homes division was taken over in a management buy-out. But some of the land bank remained and it is sales of this and other land in the portfolio which helped trading turnover to rise from £17.4m to £27.8m.

But Mr David Fitzgerald, chairman, explained that next year trading income would decline to be replaced by a rise in rental income, which in the 1989 first half came to £6.6m.

This is partly because the average rent on BHH's 4.5m square feet of industrial property is £2.75 a sq ft and will rise substantially as reviews come through. But, also, last March BHH completed the purchase of a portfolio from Slough Estates and this is already providing a rising rental stream.

Earnings per share were 9.06p (5p). The interim dividend is lifted from 1.25p to 2p.

The group's development programme had a completed value of £20m, Mr Fitzgerald said.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Abingworth	1.5	Nov 8	1.25	1.5	1.25
Automotive Hols	4.25	-	4.25	6.5	5.5
Berry Starquest	nil	-	2	-	4
BHH Group	2	-	1.25	-	4
Brit Mohair	1.4	Oct 27	1.4	-	8
Computer People	1.75	-	1.45	-	4.85
Cradson	11	Nov 29	1.5	1.7	1.6
Dalgety	10	-	5	16.5	15
ES	2.75	-	2.45	-	9.35
Fisher (James)	2	-	1.95	-	3.95
Green (Ernest)	4	Nov 27	1.95	8.25	4.75
Inchcape	4.5	Jan 2	2.75	-	9.25
Merchant M'Intosh	1	-	1	-	3
Morgan Crucible	5.5	Jan 2	4.85	-	10.9
Mowlem (John)	5.65	-	5.25	-	19.5
Servo	5	-	4	-	5
Steetley	4.75	Nov 23	4	-	11.5
Utd Friendly	12.25	Nov 9	9.6	-	31.25

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue. \*On capital increased by rights and/or acquisition issues. \$USM stock. \$In quoted stock. #Third market.

# Making the right moves

Preliminary Results  
Year to 30th June 1989

PRE-TAX PROFIT	£110.4m	UP 10.8%
EARNINGS PER SHARE	33.6p	UP 12.4%
DIVIDEND	16.5p	UP 10%

"This has been a good year for Dalgety... I am confident that we are making the right moves to ensure our future success... Growth in earnings per share and dividends are our key concern?"

MAURICE WARREN  
GROUP MANAGING DIRECTOR

**DALGETY**  
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**UK COMPANY NEWS**

**Inchcape up 26% despite slowdown in Hong Kong**

By Andrew Bolger

INCHCAPE, the international services and marketing group, yesterday shrugged off the gloom over trading prospects in Hong Kong and China to announce a 26 per cent increase to £86.8m in pre-tax profits for the six months to June 30.

Mr George Turnbull, chairman and chief executive, said: "The strength of our business streams coupled with our geographical spread has enabled us to maintain growth in most areas. Our performance in south-east Asia, particularly Singapore and Thailand, has been most encouraging, showing an increase in profits of 61 per cent. We have also achieved strong profits growth in Europe."

Following the Tiananmen Square massacre in Peking, there had been a slowdown in economic activity in Hong

Kong, which generates about 15 per cent of Inchcape's profits. However, Mr Turnbull said there had been recent signs of a return of business confidence, and he was bullish about the long-term outlook for China.

Car dealerships, spare parts and vehicle-hire account for more than half Inchcape's profits. It said strong results in Belgium, Greece and Singapore had helped offset flat results from the much more competitive UK new car market, where Inchcape distributes Toyotas.

Insurance services increased profits over last year's first half by 40 per cent, in spite of the continuing weakness in the insurance market. A shift in emphasis to "tramp" vessels helped shipping services to lift profits by 56 per cent, with particularly strong growth in the Far East.

Mr Turnbull said inspection

and testing continued to be an area with great potential for long-term growth, but had been hit by the recent disruption to North Sea oil activity. The division's contribution to profits - which was more than halved - also reflected the cancellation of a large contract, under which Inchcape had monitored import-export currency regulations for the Venezuelan Government.

Earnings per share were 13.7p, a 22 per cent increase. An interim dividend of 4.5p was declared, 64 per cent higher than last time.

The company stressed that a major element of the increase was to reduce the difference in size between the interim and final dividends, and should therefore not be taken as indicating the likely level of increase for the year.

See Lex

**Bass raises £45m from sale of hotels**

By Lisa Wood

BASS, the brewing and hotel group, is selling its 11 Spanish holiday hotels for £45m to a company led by Control Securities, the property and leisure company.

The hotels, acquired by Bass when it bought Coral Racing and in its short-lived acquisition of Horizon, the travel group, last year made a trading profit of £4.6m.

Control, which has entered into a joint partnership for the deal with Dr Gail Fharson, a Saudi businessman, already owns one hotel in Spain. With the latest acquisition its portfolio of hotels will increase to 23.

Bass, which last month announced it was paying nearly \$2m (£1.3m) to acquire a hotel in the US, said it was selling the hotels because

it wanted to concentrate its hotel resources on its Holiday Inns, Crest and Toby Hotels.

Mr Nazim Virani, Control chairman, said the purchase of the hotels was a continuation of the group's thrust into the asset-backed leisure world.

Mr Virani said he considered the deal an excellent one, at £13,000 per bedroom, particularly considering its positive impact on the group's earnings.

He said the hotels were either three or four star and were not affected by the current disaffection by some tour operators with hotels at the bottom end of the Spanish hotel market.

Bass is initially receiving £12m with the balance payable over the next three years.

**Tern plunges into £2.92m loss as house sales slow**

By Ivor Duce

THE LATEST victim of the downturn in residential housing building and sales is Tern, the USM-quoted construction, development and property service group.

Tern has suffered a sharp setback with a pre-tax loss of £2.92m for the six months to June 30 replacing a profit of £329,000 for the corresponding period of the previous year.

Equity and Law Life came to the rescue by completing an agreement with Tern - worth up to £8.6m - and acquiring 50 per cent of Tern Property Services and 10 per cent of Tern itself, the latter through the subscription for ordinary shares at 25p each. The assurance company has the right to lift this holding to 29.9 per cent between July 1992 and June 1996 by conversion of its holding in the real estate subsidiary into ordinary shares of the parent.

James Butterfield, Tern's chairman, said the board looked forward to an improvement in the second half. The directors are looking for better than break even across the board.

Greater efficiencies were being looked for in the estate

agency business, he said, which could include cutting back on staff and the quality of some of the site benefits, while on the construction side Tern's southern operations are back in the black with problem contracts resolved.

In addition, the group's share of profit from the anticipated sale of the warehousing development at West Thurrock should realise some £750,000.

The company said that the deal with Equity and Law Life would help to insulate the rest of the group should there be any further short-term problems in the estate agency business and would allow it to concentrate on further expansion.

There was a loss of 5.57p (earnings of 0.6p) basic and a loss of 5.3 (earnings of 0.56p) fully diluted per 20p share.

**Computer People**

Computer People reported pre-tax profits up nearly 25 per cent from £1.42m to £1.81m in the six months to end-June 1989. The result was achieved on turnover increased to £32.4m (£20.7m). The interim dividend is raised to 1.75p (1.45p).

**Little change at Automagic**

Taxable profits at Automagic Holdings were fractionally down in the year to April 24. This USM-quoted company, with interests in shoe repairs, key cutting services and associated retail goods, made £642,000, against £644,000.

Turnover increased to £11.09m (£10.45m) and the profit on ordinary activities was £320,000 (£441,000). There was an exceptional credit, relating to profits on the sale of properties, of £322,000 (£202,000).

Earnings were 8p (7.7p) and the recommended same-again final dividend of 4.25p makes an unchanged 6.5p total.

**MARKET RESEARCH**

The Financial Times proposes to publish this Survey on

**NOVEMBER 14 1989**

For a full editorial synopsis and advertisement details, please contact:

**NEVILLE WOODCOCK**

on 01-873 3365 or write to him at:

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**SOCIETE INTERNATIONALE PIRELLI S.A. - BASLE**

Pirelli U.K. International Finance B.V.  
7 1/2% £40 Million guaranteed convertible bonds 1985 - 2000

In accordance with condition 11 (B) (f) (i) of the first schedule of the Trust Deed for the above mentioned convertible bonds, notice is hereby given to the Bondholders that the General Meeting of the Shareholders of Societe Internationale Pirelli S.A. will be held in Basle on

Thursday, November 2, 1989.

Requests for conversion into ordinary shares filed on or before October 13, 1989 shall be submitted to the above mentioned General Meeting for the creation of the shares needed to satisfy the conversion requests.

**SOCIETE INTERNATIONALE PIRELLI S.A. - BASLE**

Pirelli Financial Services Company N.V.  
7% US\$ 50 Million guaranteed convertible bonds 1985 - 1995

In accordance with condition 13 (f) (i) of the first schedule of the Trust Deed for the above mentioned convertible bonds, notice is hereby given to the Bondholders that the General Meeting of the Shareholders of Societe Internationale Pirelli S.A. will be held in Basle on

Thursday, November 2, 1989.

Requests for conversion into ordinary shares filed on or before October 13, 1989 shall be submitted to the above mentioned General Meeting for the creation of the shares needed to satisfy the conversion requests

This announcement appears as a matter of record only

**Uni Group, Inc.**

A subsidiary of Unicord Co., Ltd. of Thailand

has acquired



**Bumble Bee Seafoods, Inc.**

from

**The Pillsbury Company**

A subsidiary of Grand Metropolitan PLC

The undersigned assisted in the negotiations, acted as financial advisors to, and arranged the financing for Uni Group, Inc.

**Sutro & Co. incorporated**

**Chase Manhattan Asia Limited**

September, 1989

**Chairman's statement**

**Horobeesionteh Gold Mining Co Limited**

(Incorporated in the Republic of South Africa)  
An Anglovaal Group Company  
Reg. No. 200228888

**Earnings increased and dividend raised - Mr Basil E. Hersov**

Although the average rand gold price received during the year rose by nine per cent, profit before taxation at R588 million was R19 million lower than that achieved in 1988. This was largely attributable to lower gold production from underground sources, higher operating costs and losses from sales of uranium oxide. However, taxation and State's share of profit, which is calculated on the new formula introduced during the year, was reduced by R48 million to R324 million. Capital expenditure and loan repayments increased to R82 million (1988 - R58 million). Accordingly, after-tax profit rose by 12 per cent from R235 million to R264 million. Earnings, which were enhanced by approximately 12 per cent as a result of hedging transactions, amounted to R202 million, equivalent to 180.3 cents per share (1988 - R177 million, equivalent to 153.2 cents per share). Dividends totalled 180 cents per share (1988 - 153 cents per share).

Gold production from underground sources decreased from 30 778 kilograms in 1988 to 29 215 kilograms in 1989 as a result of the lower recovery grade of 9.3 grams per ton (1988 - 9.6 grams per ton). This reflects the progressive increase in the proportion of ore being drawn from the lower-grade western portion of the lease area. The expectation is that the recovery grade will decline further to about 9.1 grams per ton for the current year. Unit costs rose by 21.6 per cent (1988 - 17.9 per cent) due to general cost escalation, additional tunnel support, an increase in vamping operations and a marginal increase in development metres advanced.

The low-grade gold recovery plant operated at satisfactory levels and 1 550 000 tons (7 months 1988 - 865 400 tons) were treated at a recovery grade of 1.56 grams per ton (1988 - 1.39 grams per ton) with a total of 2 417 kilograms of gold being recovered (1988 - 1 206 kilograms). It is expected that the level of gold production will be slightly lower during the current year.

A loss of R4.9 million from the production of uranium oxide, sulphuric acid and pyrite was incurred, mainly because of low sales prices received for uranium oxide. As previously reported, this was not entirely unexpected. Despite satisfactory sales levels, annual profits from uranium sales will at best be nominal over the next few years. Nevertheless, uranium production will be continued in that the Company's treatment plant operates on a "reverse

leach" process for uranium extraction prior to gold recovery whereby the latter is significantly enhanced. The financial benefit under present conditions is approximately R16 million annually before tax, which is greater than the loss recorded on the sales of uranium oxide.

Capital expenditure for the year totalled R60.5 million (1988 - R57.3 million) and was incurred mainly on completion of the low-grade plant, the ongoing re-commissioning of No 8 shaft, upgrading of employee accommodation, the construction of a mine training centre, surface and underground equipment, and computer hardware.

As reported last year, No 8 shaft, which was closed down several years ago to assist in containing costs by the concentration of mining in other areas, is to be re-opened to enable the timely exploration and exploitation of the Vaal Reef in the south-western portion of the mine. The first phase of re-commissioning the shaft was completed during the year and limited stopping and development operations have commenced.

Capital expenditure for the current year is planned at R41 million and includes surface and underground equipment, further improvements to employee accommodation, the completion of the mine training centre and further work on the re-commissioning of No 8 shaft.

Development for the current year is planned at higher levels than those achieved in 1988. This, together with general cost escalations and the additional expenditure associated with operating No 8 shaft, will have an adverse impact on operating costs. Earnings and hence dividends - which will be affected by lower gold recoveries from underground ore sources and nominal uranium losses - will be determined principally by the gold price in rand terms.

*Basil E. Hersov*

Basil E. Hersov D.M.S.  
Chairman 8 September 1989

The annual general meeting of members will be held at Anglovaal House, 56 Main Street, Johannesburg, at 09:45 on Wednesday, 11 October 1989.

**THE NIKKO SECURITIES CO. LTD.**

USD 30,000,000  
3 1/2 PER CENT  
CONVERTIBLE BONDS  
DUE 1994

Notice is hereby given, following the announcement of the issuer, that the issue referred to above has been fully converted as of 25th August, 1989 and the bonds will subsequently be deleted on the Luxembourg stock exchange.

The Nikko (Luxembourg) S.A.  
Listing agent

**SOCIETE GENERALE USD 300,000,000 FLOATING RATE NOTES DUE 1996**

For the six months, September 15, 1989 to March 15, 1990, the rate of interest has been fixed at 8.75% PA.

The interest due on March 15, 1990 against coupon nr 7 will be for the denomination USD 10,000, USD 442.38 and for the denomination USD 100,000, USD 4,423.61 and has been computed on the actual number of days elapsed (32) divided by 360.

The Principal Paying Agent  
**SOCIETE GENERALE ALSACIENNE DE BANQUE**  
15, avenue Emile Reuter LUXEMBOURG

**NOTICE OF INTEREST RATE**

To the Holders of International Bank for Reconstruction and Development

Undated U.S. Dollar Floating Rate Notes of 1985

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 5.45 per cent per annum, and that the interest payable on the Interest Payment Date 15th March 1990 against Coupon No 3 will be USD 2,702,663 per USD 100,000.00 Note.

MORGAN GUARANTY TRUST COMPANY or new York, Fiscal Agent  
Dated: September 19, 1989

**Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft**

Japanese Yen 10,000,000,000 Floating Rate Notes due 1995

For the six months 15th September 1989 to 15th March 1990

The Industrial Bank of Japan, Limited Agent Bank









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Well established Business. Introduced in the gift market to major sales. Sole Proprietor has extensive experience in the sector.

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GLASGOW. Unique opportunity to acquire small profitable business with £3 Million grant for expansion. Established network of associated consultants and substantial database.

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FIRE ALARM COMPANY LONDON AREA. Blue chip client base. T/O since Jan '89 £350k. Projected Dec '89 £2 1/2 m.

For Sale. Manufacturer and designer of high quality Knitwear, own freehold property, Midlands based.

WHITE KNIGHT SOUGHT. by financial services group wish cash flow difficulties. 88/89 fees/commission = £1/2m.

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Well established Knitwear Manufacturing business for sale. Owners retiring. Production capacity 1,500 plus garments per week.

FOOD PROCESSING AND DISTRIBUTION COMPANY. Midlands area, for sale as present owners wish to retire.

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OFFER REQUIRED FOR SALE. Cash £1,000. No liabilities. Tax losses £3M capital £2M revenue £2 1/2 M US.

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OFFICE EQUIPMENT. NEW BROTHER GROUP III FAX. Including: Telephone handset, 20 number memory, Redial facility, 16 shade grey scale, Contrast control, Auto answer, Transm./Receive I.D., Speaker volume control, Password security.

IMMEDIATELY AVAILABLE: Falcon 900. Taken in trade for new Gullstream IV. Serial Number 024, built 1987. Has 900 hours, 511 landings, MSP 12 passenger interior with all lavatory. Well-equipped cockpit with dual Sperry FMS and Av Data System, triple Honeywell IRS, many extras.

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Business Advertisements also appears on page 14.

COMMODITIES AND AGRICULTURE

Cocoa sharply down after failure of latest talks

By David Blackwell

THE COCOA market wasted no time yesterday in pecking prices sharply down following weekend news that the International Cocoa Organisation talks had ended in failure.

between 1.255 and 1.255 Special Drawing Rights (SDRs) a tonne should be compared with yesterday's ICCO average indicator price of 222.59 SDRs.

The package proposed a reduction in the levy paid on imports and exports of cocoa from \$30 to \$5 a tonne. Producers also promised \$20m to be put into the ICCO kitty to finance a withdrawal scheme designed to take 120,000 tonnes of the glutted world market.

Rain too late to relieve feedstock shortage

Livestock farmers in the south and west face particular problems

WITH the possible exception of those who found themselves beneath one of last week's cloudbursts, the judgment of most livestock farmers in the south of England would be that recent rain was probably too little and certainly too late.

FARMER'S VIEWPOINT



By David Richardson

Given that some South Coast areas have had 2in of rain or more in the last few days it may seem unlikely. It can, however, be put into perspective when you consider that soil moisture deficits in some areas have added up to 7in or 8in - a third of average annual precipitation - and remember that the last significant rainfall in those areas was in April, since when we have had one of the hottest summers on record.

can normally support themselves and provide milk for their calf through the summer on a diet of grass alone - are suffering the most on many farms. They have, as the saying goes, "milked off their backs" in order to feed their calves. Most of the calves are fine but many of the mothers will approach the winter with their ribs showing.

Base metals head for surplus

By Kenneth Gooding, Mining Correspondent

EVERY non-precious metal market will be in surplus by the second half of 1990 - the first time this has happened since 1981, predicts the Metals & Minerals Research Services consultancy group.

Lower prices to be absorbed. MMR's forecasts the gold price will slip from an average of \$375 a troy ounce this year to \$350 in 1990.

Lower prices should work quickly to cut marginal, high-cost production, limiting the potential for a prolonged slide. "This, at least, is what we believe to be the lesson learnt from the last recession."

Short supply drives tea prices higher in London

By David Blackwell

TEA PRICES rose sharply in London yesterday - "we have a very, very strong market on the market" - but now the worms have turned.

Both India and Sri Lanka are about 25m kilograms down on their crop this year. Kenya is the only country to have added to its crop, which is expected to be up about 10m kilos, leaving world output so far this year about 40m kilos, down on 1988.

Turkey to import 5m tonnes of grain after spring drought

By Jim Bogener in Ankara

TURKEY will have to import five million tonnes of grain at a cost of up to \$1.5m as a result of a poor harvest due to the drought in the spring, according to officials.

Grain and bread prices have risen dramatically as a result of the drought. The state-owned Soil Products Office (TMO) will finance the imports of grain from about \$200 million remaining of its allocation of country co-operation credits from the US Department of Agriculture.

capable of handling Panamax class ships. The terminals will be moored in Derince bay, where TMO has long-term plans to construct a major deepwater terminal. The rate of discharge will be 15,000 tonnes a day for transshipment into smaller vessels.

Brazil approves sugar export target

PRESIDENT Jose Sarney of Brazil has approved a sugar export policy that sets aside 640,000 tonnes for shipment this year, writes John Barham in Sao Paulo.

over taxation and a buffer stock prevented implementation of the policy. In August the Government restricted exports as supplies of sugar and alcohol ran dangerously low. Producers preferred to export since domestic sugar prices barely covered production costs while export prices have soared this year.

Mr Sarney approved a Congressional bill establishing that exporters must obtain approval from the Sugar and Alcohol Institute for each shipment, to protect domestic stocks.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices eased on the LME yesterday following news that LME warehouse stocks for last week rose by more than expected, jumping by 9,525 tonnes to 97,200 tonnes - the highest level since early April. This compares with a low for the year of 87,475 tonnes in late July. Some traders thought current arbitrage levels could induce shipment of unwanted metal from LME warehouses to the US in order to help relieve supply tightness on Comex. Aluminium prices also closed down after moving ahead in the morning on news of a 2,330 tonne fall in LME stocks. Traders sold the lower end of the current \$1,680 to \$1,740 a tonne trading range as expected to come under pressure as stocks particularly producers - are expected to rise in the fourth quarter unless there is an improvement in demand or some production cuts.

Table with 4 columns: Close, Previous, High/Low, % change. Includes rows for COCOA - London FOB, COPPER - London FOB, SUGAR - London FOB, and CRUDE OIL - SPE.

LONDON METAL EXCHANGE

Table with 5 columns: Close, Previous, High/Low, AM Official, Open Intra-day. Includes rows for ALUMINIUM, COPPER, LEAD, NICKEL, ZINC, and ZINCO.

POTATOES - SPE

Table with 4 columns: Close, Previous, High/Low, % change. Includes rows for Nov 14, Nov 15, Nov 16, and Nov 17.

SOYABEAN MEAL - SPE

Table with 4 columns: Close, Previous, High/Low, % change. Includes rows for Oct 19, Oct 20, Oct 21, and Oct 22.

US MARKETS

IN THE METALS, gold silver and platinum prices fell slightly as scattered profit taking erased some of Friday's gains. Report on the American Petroleum Institute showed a 3.3% decline in oil stocks, but the price was little affected. Sugar advanced 3¢ on a report that the U.S. sugar crop was 11% below last year's. Cocoa trading was also active as heavy commission house selling was featured. The livestock market was quiet but there was a large number of cattle futures were lower due to long liquidation ahead of the cattle on feed report. Pork barrels closed changed. The grain market was quiet with mostly steady commercial activity and favorable weather this week in the Midwest. The energy complex was mixed after two-sided action.

CHICAGO

Table with 4 columns: Close, Previous, High/Low, % change. Includes rows for SOYABEAN, CRUDE OIL, and WHEAT.

SPOT MARKETS

Table with 4 columns: Price, % change, Unit. Includes rows for CRUDE OIL, GAS OIL, and various metals.

CINCHONA - SPE

Table with 4 columns: Close, Previous, High/Low, % change. Includes rows for Oct 19, Oct 20, Oct 21, and Oct 22.

CRUDE OIL - SPE

Table with 4 columns: Close, Previous, High/Low, % change. Includes rows for Oct 19, Oct 20, Oct 21, and Oct 22.

SOYABEAN MEAL - SPE

Table with 4 columns: Close, Previous, High/Low, % change. Includes rows for Oct 19, Oct 20, Oct 21, and Oct 22.

NEW YORK

Table with 4 columns: Close, Previous, High/Low, % change. Includes rows for GOLD, SILVER, and PLATINUM.

SOYABEAN MEAL - SPE

Table with 4 columns: Close, Previous, High/Low, % change. Includes rows for Oct 19, Oct 20, Oct 21, and Oct 22.

COFFEE - C/1

Table with 4 columns: Close, Previous, High/Low, % change. Includes rows for Sep 20, Sep 21, Sep 22, and Sep 23.

LONDON DAILY SUGAR

Table with 4 columns: Price, % change, Unit. Includes rows for London daily sugar, London daily sugar (white), and various grades.

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£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-rings/kg. y-ounce/y. x-oz/dec. 1-Aug/Sept v-Sept/Oct. w-Oct. d-Nov. z-Dec. (Market Commission average last week prices) - change from a week ago. \*London physical market. #Sourtham. @Sutton market. @Malaysian contract.

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Talepoint in the UK; Valuation procedures for companies	3	Front page illustration:	Robin MacFarlan
Radio-paging Industry:			

# FINANCIAL TIMES SURVEY



The success of mobile services is reflected in soaring stock market values for operators and an

interest in new concepts. However, to meet rising customer demand, companies need to push forward the boundaries of technology. Hugo Dixon reports.

## Poised for the mass market

MOBILE communications are on the threshold of becoming a mass market.

Despite the industry's stunning growth in the late 1980s, cellular communications have still only penetrated a specific portion of the business community - people such as salesmen who travel a great deal in their jobs and top executives.

The advantages of being in touch and being able to use efficiently what would otherwise be hours of "dead" travelling time each week have been so great that the high costs of owning and using a cell phone have not been a deterrent for these customers.

However, the vast majority of people in industrialised countries while attracted by the concept of mobile communications have been put off by the size of the handsets and by the costs. In the UK, where prices are among the lowest, a portable phone costs £1,000 and charges are 38p a minute, about four times as much as calls from an ordinary phone.

The prospect now is that advances in technology, the introduction of more competition and economies of scale can together drive down prices to such a low level that by the end of the century, mobile communications will be within reach of the ordinary consumer. Handsets costing £100 and charges that are only a small premium over ordinary call rates are the conditions necessary to achieve this, experts say.

The exact path to this goal is still a matter of debate and it seems likely that some of the more ambitious targets for creating a mass market by the mid-1990s will not be met. Britain, for example, is pressing ahead with two new mobile concepts - telepoint and personal communications, both of which are intended to appeal to the mass market - but other countries may adopt different technical approaches.

How these arguments are resolved will have a profound impact on which companies make money out of mobile communications. But they are not likely to affect the growth of the market in the long-term, because of the appeal to the average person of being able to pack more social and business engagements into their tight schedules.

that when costs fall consumers will snap up mobile phones in the same way that they previously took to cars, televisions and video-recorders.

Although the conversion of mobile communications from a specialist into a mass market is dominating the industry, there are four other trends. Mobile communications technology has the potential to replace fixed links for providing local phone calls. Instead of digging up roads and laying down expensive copper cables, which need considerable maintenance, local calls could be transmitted over radio links.

The simplest and cheapest option would be to have a base station in every office and at the end of every street, and allow customers to use their handsets only if they were within range of that particular base station. A more sophisticated alternative would be to allow customers to use their handsets at any base station, but this would add to costs.

The use of radio links to provide the ordinary phone service could be attractive to developed nations which are keen to promote competition. The idea is also being examined by less-developed countries as a way of constructing from scratch a basic phone network quickly and cheaply.

This does not mean, though, that cable links will be redundant, because radio has inherently poorer quality and cannot carry large volumes of traffic. The method of transmitting advanced data and video services will be via fibre-optic rather than old-fashioned copper cables.

Personal numbers will be introduced. Some commentators confuse these with personal communications, but the two concepts are actually parallel developments. The idea is that everybody should have a personal number, which would be different from the number of any handset he or she happened to be using. If people wanted to get hold of a person, they would call the personal number; if they wished to get hold of a particular location - an office, a home or even a mobile phone - they would call the number for that location.

Personal numbers would allow people to be in contact, even if they were not carrying a mobile phone. They would, of course, have to tell the network where they were. To make this easy, personal numbers would probably be contained on special plastic cards called smart cards.



## Mobile Communications

Mobile communications services are going international. The most important developments are in Europe, where there are several initiatives for ensuring that people will be able to roam across the continent with the same piece of equipment, and stay in contact.

These international services require considerable co-ordination, both technically and commercially. But, in Europe, the advent of the single European market in 1992 has given the process of integration a special impetus.

The largest project is the pan-European cellular system, which is due to start its rollout in 1991. One by-product has been the formation of a series of cross-border alliances between companies wishing to attack what could be a lucrative market.

The first cross-border initiative, however, will be Euronest, a paging network due to start next January in West Germany, France, Italy and the UK. A fully pan-European system, called Ermes, is likely to start in 1993.

### Della Bradshaw examines cellular communications in Europe

## Wrangles hit flagship project

In addition to the patents issue European manufacturers have one other worry: that Japanese manufacturers, which have successfully wooed Britain's current generation of cellular phone users, could clean up in the digital phone market, too.

Behind the pan-European scheme was the tacit understanding that Japanese manufacturers would be excluded. But manufacturers now acknowledge that although Japanese companies have won no contracts for the phone networks, they have ample time before 1991 to develop the phones themselves - an equally lucrative section of the market.

From the consumer viewpoint, however, manufacturers and operators are confident the scheme will go ahead as planned in 1991. "If anything, we're increasingly confident that the systems will be in operation on time," says Mr Mike Finches, managing director of Orbitel, the UK equipment manufacturer. "My view is that the patents issue will affect the price of the equipment, as companies will have to pay royalties, but it will not put back the starting date."

The order programme, which is moving ahead on target, confirms that view. Most telephone operators in Europe have already placed orders for the first trial equipment - the validation systems.

Newcomers such as Orbitel in the UK have been less fortunate. It has received one order from Racal (which is one of the joint shareholders in the company) and will supply some equipment under the deals signed by Ericsson and Matra in the rest of Europe. One British export which looks more likely to succeed is the cellular radio entrepreneur, First off the mark are Mr Marc Albert and Mr Martin Dawes, both successful distributors of cellular telephones in the UK. They are setting up a European distribution network under the name Euro Cellular, and already have offices in France, Spain, Italy, West Germany and Switzerland.

Manufacturers and telephone operating companies alike have now conceded that patent claims will not be waived. Instead, manufacturers are conducting a series of bilateral negotiations, which should result in agreements either to swap patents or to decide commercial terms for using them.

European companies are worried that Motorola, holder of a comparatively large number of patents, will insist that although European manufacturers can use their patents on home ground, they cannot sell systems incorporating them in the US and the Far East. That would destroy the export opportunities for European manufacturers, which could cut down volume production at home and result in higher costs to the consumer.

When implemented the scheme will be one of the most technically advanced in the world, and the first widespread non-military application of radio signalling which is digital - the language used by computers. But the commercial interests of manufacturers involved in the scheme has proven the downfall of co-operation.

At issue is what should happen to patents infringed by the technical specification for the pan-European project. Should the patent rights be waived, or should those holding the patents be allowed to determine the terms for their use?

Despite the flurry of activity in Europe for the digital system, demand for the existing analogue equipment is continuing to grow rapidly. In France the military authorities have

### CELLULAR RADIO SUBSCRIBERS IN EUROPE - June 1989

Country	Subscribers	Population (millions)	Penetration per 1,000
UK	650,000	56.8	11.46
Sweden	295,500	8.4	35.18
Norway	161,200	4.2	38.39
France	135,370	55.5	2.45
Finland	131,610	4.8	27.42
Germany	123,980	62.0	2.0
Denmark	112,830	5.2	21.7
Switzerland	51,540	6.0	8.59
Italy	48,850	57.2	0.82
Austria	44,250	7.6	5.82
Netherlands	43,400	14.5	2.99
Belgium	21,200	9.9	2.14
Spain	20,700	32.2	0.54
Ireland	7,570	3.5	2.16
Iceland	7,260	0.24	30.33
Portugal	1,400	10.5	0.13
Faroe Is	780	0.05	16.25
Cyprus	690	0.66	1.25
Luxembourg	400	0.37	1.08
Total	1,867,060	345.32	5.38

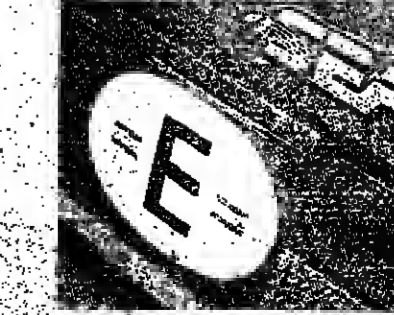
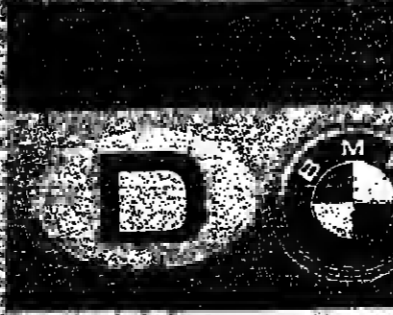
## WE'RE PUTTING EUROPE ON THE ROAD TO A DIGITAL CELLULAR NETWORK

Within two years, Europe's digital cellular network will be up and running. Which means the most important decisions regarding its implementation have to be made now. One in particular concerns choosing a company to assist in setting up the infrastructure in your country.

But which one? You could very easily talk to a department in a big company. Better still, talk to the company that was specifically set up to help develop the Pan-European network. You'll find us more dedicated and much more flexible when considering your requirements. The name you should look for is

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GUIDE TO UNIT TRUST PRICING. This section provides detailed instructions on how to interpret the unit trust prices, including information on bid and offer prices, and how to calculate the net asset value per unit.

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Table listing insurance products and their details, including AA Friendly Society and Abbey Life Assurance Co Ltd.

OTHER UK UNIT TRUSTS

Table listing various UK unit trusts such as British Equities, City of Edinburgh Life Assurance, and Derwent Life.

INSURANCES

Table listing insurance products and their details, including City of Edinburgh Life Assurance and Derwent Life.

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Main table containing various stock market listings including AMERICANS-Contd, BUILDING, TIMBER, ROADS - Contd, DRAPERY AND STORES - Contd, ENGINEERING - Contd, INDUSTRIALS (Miscel.) - Contd, CANADIANS, BANKS, HP & LEASING, CHEMICALS, PLASTICS, FOOD, GROCERIES, ETC, BEERS, WINES & SPIRITS, DRAPERY AND STORES, HOTELS AND CATERERS, BUILDING, TIMBER, ROADS, and INSURANCES.

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LEISURE table with columns for company name, price, and change.

PAPER, PRINTING, ADVERTISING - Contd table with columns for company name, price, and change.

TEXTILES - Contd table with columns for company name, price, and change.

TRUSTS, FINANCE, LAND - Contd table with columns for company name, price, and change.

OIL AND GAS - Contd table with columns for company name, price, and change.

MINES - Contd table with columns for company name, price, and change.

MOTORS, AIRCRAFT TRADES table with columns for company name, price, and change.

PROPERTY table with columns for company name, price, and change.

TRUSTS, FINANCE, LAND table with columns for company name, price, and change.

OVERSEAS TRADERS table with columns for company name, price, and change.

PLANTATIONS table with columns for company name, price, and change.

THIRD MARKET table with columns for company name, price, and change.

NEWSPAPERS, PUBLISHERS table with columns for company name, price, and change.

SHOES AND LEATHER table with columns for company name, price, and change.

TRUSTS, FINANCE, LAND table with columns for company name, price, and change.

OIL AND GAS table with columns for company name, price, and change.

FINANCE table with columns for company name, price, and change.

REGIONAL & IRISH STOCKS table with columns for company name, price, and change.

PAPER, PRINTING, ADVERTISING table with columns for company name, price, and change.

SOUTH AFRICANS table with columns for company name, price, and change.

TEXTILES table with columns for company name, price, and change.

OIL AND GAS table with columns for company name, price, and change.

FINANCE table with columns for company name, price, and change.

TRADITIONAL OPTIONS table with columns for company name, price, and change.

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WORLD STOCK MARKETS

Table of World Stock Markets including sections for Austria, France, Germany, Italy, Sweden, and Switzerland. Each section lists various stock indices and their values.

Table of Japan Stock Markets listing various Japanese stock indices and their values.

Table of Canada Stock Markets listing various Canadian stock indices and their values.

Table of Indices including Dow Jones, New York, and various international indices with their respective values.

Table of New York Active Stocks listing various active stocks and their prices.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3pm prices September 18

Main table of stock prices with columns for High, Low, Stock, Div, Yld, 100% High, Low, Close, Chg, and various stock symbols.



Continued on Page 51

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for High, Low, and Change. Includes a section for 'Continued from previous page' and a detailed list of stock prices.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices September 19

Table of Over-the-Counter prices with columns for High, Low, and Change. Includes a section for 'Selling' and a detailed list of stock prices.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices with columns for High, Low, and Change. Includes a section for 'Selling' and a detailed list of stock prices.

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